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Incentive Marketing

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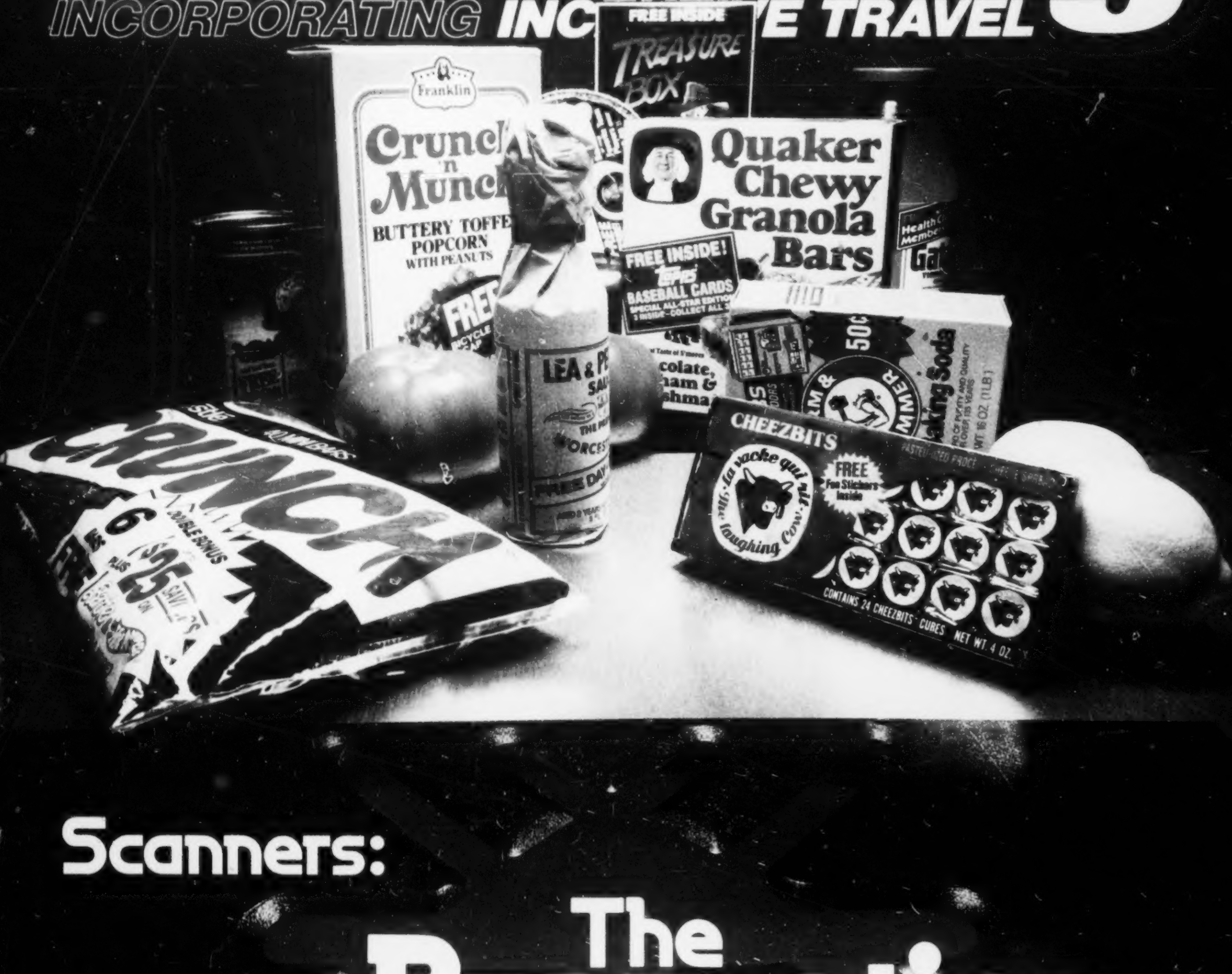
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Scanners:

The Promotion Potential

INCENTIVE MARKETING

PRODUCT FOCUS: Cookware and Appliances, p. 32

November 1986

82nd Year, Vol. 160
Number 11, ISSN-00119-3364

Cover: Fred Slavin

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FOOD INDUSTRY

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Quaker Chewy Granola Bars
FREE INSIDE!
Topps BASEBALL CARDS
CRUNCH
CHEEZBITS

Scanners: The Promotion Potential

Weekly scanner data relates sales to promotional variables and may pave the way for more profitable and targeted programs.

By Aaron Sugarman

Their ranks continue to swell. Scanners, those electronic devices at checkout, are expected to account for more than half of the grocery dollars rung up in the nation's supermarkets this year. Questions remain, however, as to whether or not these silent information gatherers can spark a revolution in the way manufacturers and retailers in the food products industry promote their wares.

Some in the industry are pointing to more profitable and targeted promotion efforts and more sophisticated manufacturer/retailer relationships as a result of scanner data. Others note the scarcity of scanner data, saying it offers little to promotion managers or it still belongs in the "great unfulfilled potential" category. "When you look at the whole business of using scanner data for marketing and promotions, you find there isn't so much activity as hyperbole," said Robert Wunderle, economist and vice president of public affairs for the Woodbridge, N.J.-based Supermarkets General Corporation, which operates the Pathmark chain.

Scanner data brings two main advantages to the marketing efforts of both manufacturers and retailers: speed and accuracy. Before scanners appeared in 1977, sales figures were largely determined by monthly warehouse withdrawal reports, which could only provide figures on the quantity of a product shipped from a warehouse. Scanner figures show actual sales as well as prices and other conditions affecting the sale, such as a coupon or sweepstakes offer. Generally data is available on a weekly or biweekly basis.

Although scanning offers opportunities for improved market analysis, new product evaluation and promotion testing and evaluation, Wunderle pointed out that logistical problems must be overcome before the scanner has a dramatic impact on supermarket promotion. "If the data comes in faster than the decision-making process, then the value of the speed is illusory," he said.

For example, if Pathmark launches a granola bar promotion over the weekend and Monday's scanner reports indicate a need for more product and/or shelf space, it would still take a week to order more bars and change the store layout. By that time, Wunderle explained, the product is not likely to be on sale anymore. Comparing the speed of the scanner to a warehouse withdrawal report, Wunderle said, "There is value to the speed of a Ferrari compared to a Volkswagen, but what is the value of that speed when you're stuck in midtown New York City traffic?"

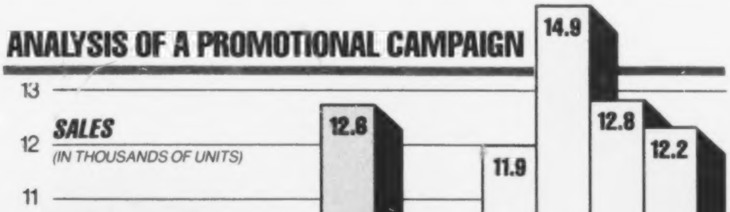
The promotion planning director for a major Northeastern food product manufacturer, who requested anonymity, disagreed with Wunderle's assessment. Thanks to the speed of scanner data, the company is able to evaluate promotions in progress, he said.

"If data shows a major promotion is not performing, the first step is to try to identify the elements negatively affecting it. If we can identify specific shortfalls, we would adjust the campaign. If cost or structural factors are prohibitive, we would consider pulling it. That's the point of scanner technology. It's fast, accurate and changes can be made quickly and then reread. The result is more effective promotion with less risk."

Adjusting a promotion in progress is a possibility with scanner data, but using the data to better position a campaign from the start is a more attractive goal. Phil Lempert, president of the Lempert Company, an advertising agency specializing in food products, expects manufacturers to try to avoid the need to adjust a running campaign by doing things like more direct mail promotions targeting neighborhoods by zip code. "If my product doesn't do well in 30 out of 138 Pathmark stores, I can mail coupons directly to those neighborhoods. It won't cost me millions of dollars, which will allow me to offer more promotions at a higher value," he said.

Scanner data is invaluable because it provides information on a store by store level, Lempert said. Once you know a particular store's demographics and purchasing habits, you can customize a promotional campaign around the store's personality. "Some stores are more sensitive to price, and some respond better to in-store displays," he pointed out.

The ability to pinpoint both



This sales analysis of a cereal brand, presented by Nielsen Marketing Research's director of business development Paul Schmitt, points out the value of scanner data. "If we'd been looking at monthly data we would have seen virtually no change between the first four weeks and the second four weeks—only a 1½ percent increase in sales. All the change we would have observed would have been in the third month when sales were up 33 percent," Schmitt explained. With weekly scanner data the effects of various aspects of the campaign are distinctly discernable, as is the interrelation of promotion, advertising and display.

"Single source data" would tell marketers which promotions will work in which markets —at least theoretically.

market and even individual buying habits is the promise of the so-called "single source data." Essentially the marriage of scanner sales data to market analysis and household purchasing research, single source data would tell marketers which promotions should work in which markets.

The A. C. Nielsen Company, a leader in market research based in Northbrook, Ill., is working with the University of Chicago to develop the means to correlate all of the information necessary to create single source data, according to Travis Whitlow, promotion manager for Nielsen. Nielsen has set up two test markets, in Sioux Falls, S.D., and Springfield, Mo., where it can control the factors that influence purchasing behavior. Panels of 2,500 people in each market are exposed to a variety of advertisements, coupons and promotions, and their purchasing patterns are recorded.

Some manufacturers are waiting impatiently for Nielsen, or someone else, to package all of this data in a form that is easy to use. "We don't have the resources to manipulate all that data by ourselves," said Wayne Levy, manager of marketing decision support systems with the Pittsburgh-based H.J. Heinz Company, "but we know exactly what we want to do with it when we get our hands on it."

Marketers can use scanner data to weigh a number of variables to better understand the effect of specific promotions on sales. A soap manufacturer can run a "buy three bars, get one free" campaign and then change it to "buy five" and analyze the results, suggested

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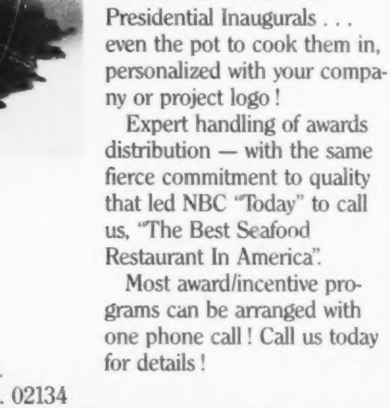

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Current Uses of Scanner Data

Percentage of surveyed retailers using scanner data for:

Specials	**78.0%**
Coupon Accounting	**67.1**
New Product Evaluation	**43.4**
Shelf Allocation	**41.0**
Price Elasticity	**21.4**
Reordering	**9.8**

Source: Food Marketing Institute's Food Market Industry Speaks 1986 survey, 173 respondents.

George Beaumont, vice president of the Majers Corporation, a trade promotion management firm. "Manufacturers want to know which promotion dynamics produce the most dramatic results. This will tell them," he said.

"Scanner data tells you what a customer bought, at what price and what, if any, promotion was in place," said Richard Baird, vice president of technical services with the Stop & Shop Supermarket Company, Boston.

The nature of scanners may lead to the use of certain types of promotion over others. Thanks to scanners, coupon targeting has been raised to a science while continuity programs —which offer merchandise like dishware sets one piece at a time over a promotional period—are handicapped.

"Scanners are part of a depersonalization at the checkout," said Ray Cleeland, chairman of the board of the Johann Haviland China Corporation in New York. "We used to be able to rely on the checker to know the customer, mention the offer and chat about the continuity program, but scanners have taken that away."

Coupons, on the other hand, can be personalized to fit a customer because of scanners, according to George Off, vice president of operations for the Catalina Marketing Corporation. Catalina has developed a computerized system that taps into the checkout scanner and uses sales data to provide coupons aimed at particular customers. The coupon is printed at the checkout station and given to the customer before he leaves the supermarket for use on his next visit.

"Let's say a lady comes in and buys baby food," Off said. "She could receive a coupon for baby powder or diapers."

Scanners have brought about a shift in information gathering in the food products industry. "It used to be a vendor would come in and tell the retailer how much he's done for him and what he's going to do next," said Stop & Shop's Baird.

"Now the retailer is telling the vendor how much of his product sold and at what price and profit level."

Stop & Shop uses scanner data to decide which manufacturer promotions it will go along with, Baird said. "We want to know if it is worthwhile. Does it increase product sales in that item and category? Or does it simply steal from other brands?"

Schnuck Markets Inc., a Midwestern chain, does similar evaluations and uses scanner data in developing plan-o-grams for its stores, according to a spokesperson. A plan-o-gram details the layout of a store, including shelf allocation and display space for promotions.

The growing sophistication of retailers is improving their relationship with suppliers, according to sources on both sides.

Scanner data gives the manufacturer and retailer a common ground to communicate from, according to Pierce Pelouze III, vice president of promotion for the Campbell Soup Company, Camden, N.J. "If you use data that came from their scanners, the retailer has confidence in it," Pelouze said. ■

'Single Source' Concept

Scanning is a key contributor to what has been dubbed "single source data." To develop single source data, researchers determine characteristics and demographics of sample households, study their television viewing habits and exposure to advertising and promotions, and record their purchases.

Scanner data helps provide information on price paid, coupons used, displays and other promotions in effect at the time of sale.

The goal is to relate consumer purchase decisions to the factors influencing the purchase—a shift from marketing reporting, which details the efforts of manufacturers and retailers, to market *response* reporting, which is concerned with the reaction of consumers to various marketing efforts.

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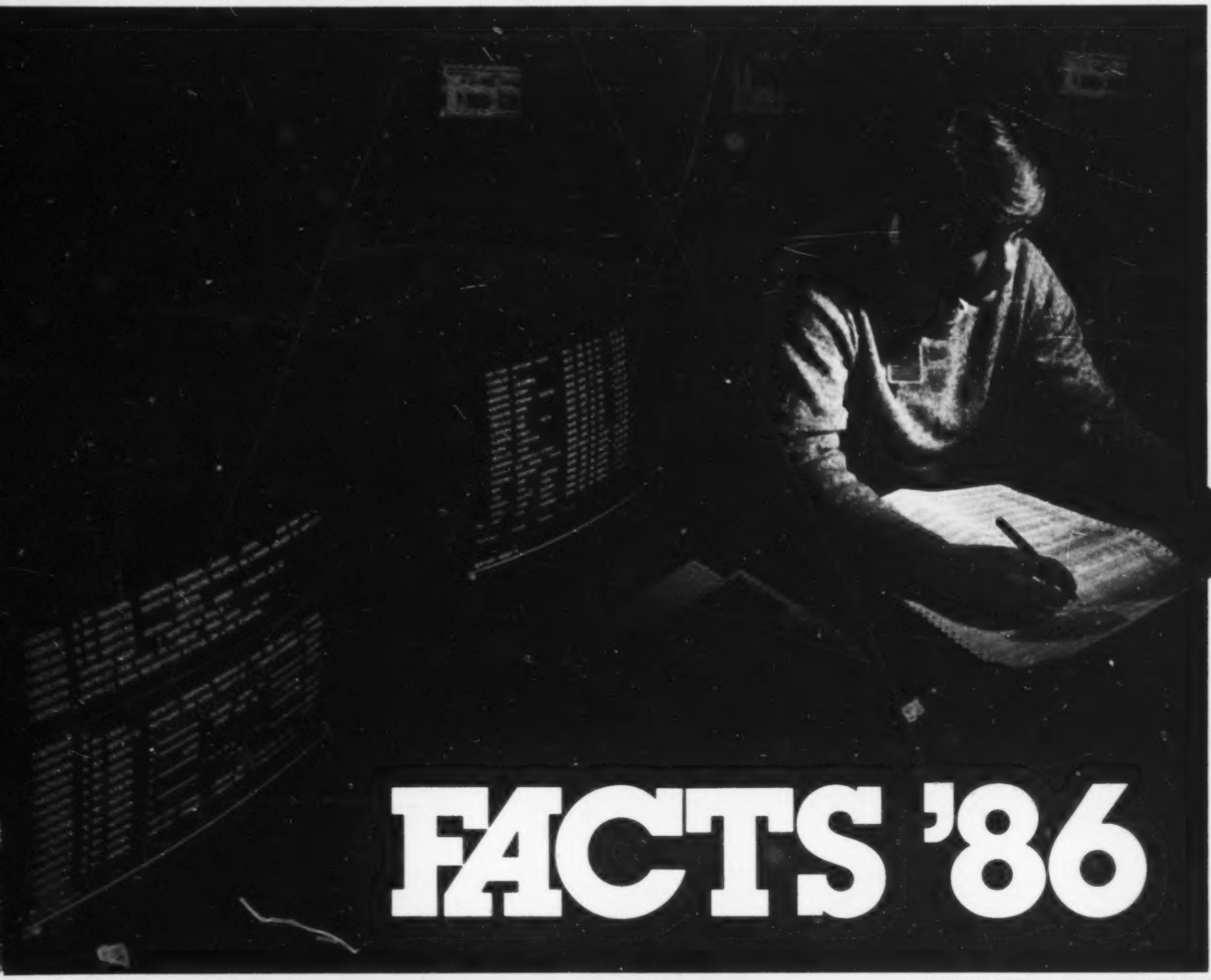

FACTS '86

Customer service

Can airlines do more with less?

Updates:

- Leisure Products
- Hawaii
- South Pacific

INCENTIVE MARKETING

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*Cover Photo:
The Image Bank*

What's happening in customer service? See page 50.

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- High-stakes game of toy marketing demands innovation.
- Marketers create events for fun and profit.

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NEWS

Performance and pay

New survey shows shift from typical raises to nontraditional rewards

When Thomas H. Melohn burst onto the scene at North American Tool & Die in his loud golf pants, gold shirts and blue blazers, the San Leandro, Calif., manufacturer was marginally profitable with an unenthusiastic work force.

In the eight years since he and a partner acquired NATD, sales have more than tripled, profits are seven times what they were, employee turnover has dipped from 27 percent to 4 percent and the customer reject rate of NATD products has dropped from 5 percent to 0.1 percent, Melohn reports. All this, he adds, during a recession in NATD's marketplace —Silicon Valley.

His secret? "Simplistically stated, in our judgment a happy employee is a more productive employee. His output increases, his rejects fall, his attitude improves, turnover drops. . . and besides, it's more fun to work with him," Melohn says.

To produce those happy and productive employees, NATD has turned to innovative motivation programs such as gain sharing, recognition rewards and a stock ownership plan. According to a new survey on nontraditional reward and human resource practices by the American Productivity Center and American Compensation Association, NATD is just one of a rapidly growing number of American firms adopting nontraditional reward systems in the quest to reverse sagging productivity.

The survey's major finding is a distinct shift away from cost-of-living adjustments, merit increases and across-the-board increases as the basis for pay raises and a new emphasis on pay for performance, productivity and quality.

A report on the People, Performance, and Pay survey was released last month during the American Productivity Center's conference on Paying, Motivating and Rewarding Employees in the '80s, held in Houston.

The survey looks at responses from 1,598 organizations: 741 in the goods-producing sector, 741 service-producing organizations and 116 government facilities or unclassified organizations. Represented were 40 different industry groups employing over nine million people, or about 10 percent of the civilian working population in the United States.

Unprecedented levels of competition, along with stagnant productivity, is at the root of the move to nontraditional reward systems, according to the survey. The more competition a firm reports, the more likely it is to use nontraditional rewards—one reason why firms in the goods-producing sector are more likely to use profit sharing, pay for knowledge (hourly or salaried pay determined by the number of jobs an employee can do) and all salaried plans (jobs traditionally considered nonsalaried or hourly treated as salaried positions) than are those in the service sector.

"Almost 48 percent of the goods-producing firms report an increase in both foreign and domestic competition compared to 18.6 percent in the service sector," the report states.

Users report success

Firms turning to nontraditional reward systems report high levels of success with a variety of programs, according to the survey. Of the respondents, 89 percent reported a positive or very positive impact from pay-for-knowledge plans; 85 percent reported such impact for earned-time-off programs, where employees are rewarded for exceptional performance with paid time off, and 81 percent reported their gain-sharing programs a success. Small group incentives were rated positive or very positive by 75 percent of the respondents; profit sharing, by 74 percent; individual incentives, by 73 percent; all salaried

RATING OF REWARD SYSTEMS*

Reward System	# of firms	Rating
Gain sharing	170	81%
Profit sharing	507	74
Small group incentives	185	75
Earned time off	99	85
Lump sum bonus	163	66
All salaried	169	67
Pay for knowledge	70	89
individual incentives	192	73
Recognition	487	30**

*Percent reporting "positive" or "very positive" impact on performance

**Percent reporting "effective" or "very effective" systems, by 67 percent, and lump sum bonuses, by 66 percent.

Recognition was the only reward system users found to have little impact on performance. Only 30 percent rated recognition as effective or very effective in boosting performance levels.

Different nontraditional rewards are used with different types of employees. Pay for knowledge and gain sharing are most prevalent with production workers. All salaried plans, profit sharing and lump sum bonuses are most often used with managerial employees.

More than two-thirds of respondents reporting sales and marketing practices have incentive plans in addition to traditional base salary or base salary plus commission compensation plans for salespeople. Fifty-six percent report using non-cash awards.

The survey reveals that sales and marketing managers have difficulty identifying the additional sales generated by commission plans. "Only 19 percent of the respondents could make an estimate of the incremental sales or revenue due to their commission programs.

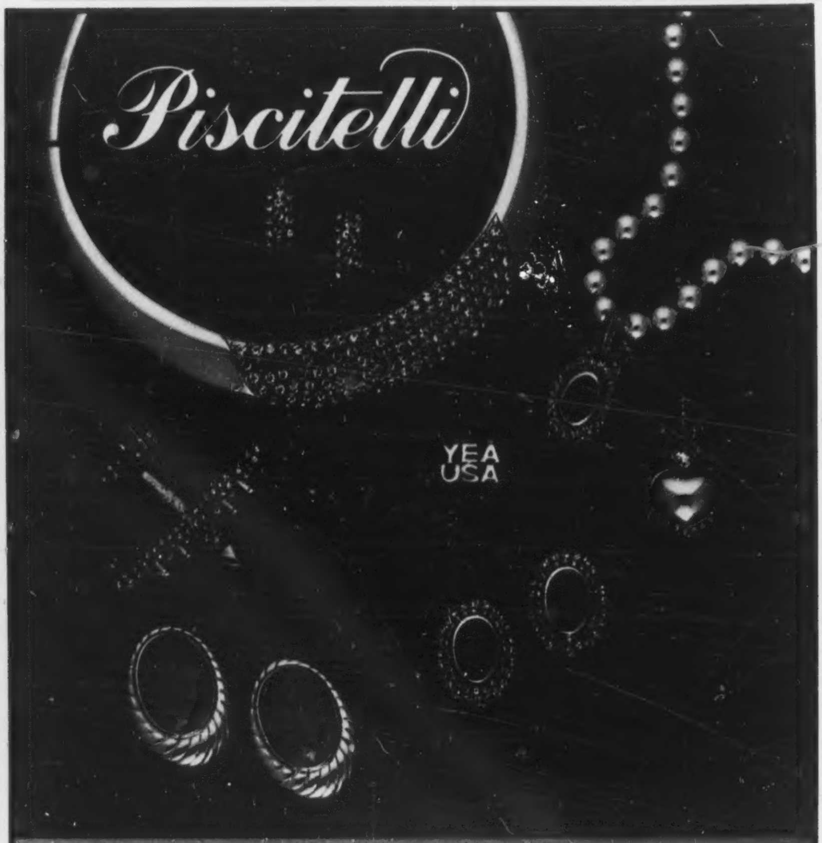
"In contrast, 35 percent could estimate what they got from their special cash incentives and 47 percent were able to provide data on the incremental value of non-cash incentives."

The People, Performance and Pay survey also charts quality of work life issues. It finds that the growth of employee involvement programs parallels that of nontraditional rewards. "We think it is no coincidence that firms with group-based pay for performance systems also have more active employee involvement programs, more employee security strategies and greater information sharing than other organizations."

Despite the tremendous growth in pay-for-performance programs, "less than 10 percent of firms have integrated their human resource and compensation strategies." The benefits of such coordination, however, are setting the country's most forward-thinking companies apart. "These organizations are not merely changing the way they pay people, they are creating a relationship of common fate and mutual commitment between employees and the organization," the survey concludes. ■

Correction

JCPenney Financial Services is not a current client of United Marketing Services, according to a Penney spokesperson, and the insurance division does use JCPenney gift certificates. This was stated incorrectly in the September issue.



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Target cost/pc is: ☐ $1.00 ☐ Under $3.00
☐ $10.00 ☐ Under $25.00

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Cranston, RI 02920-0857

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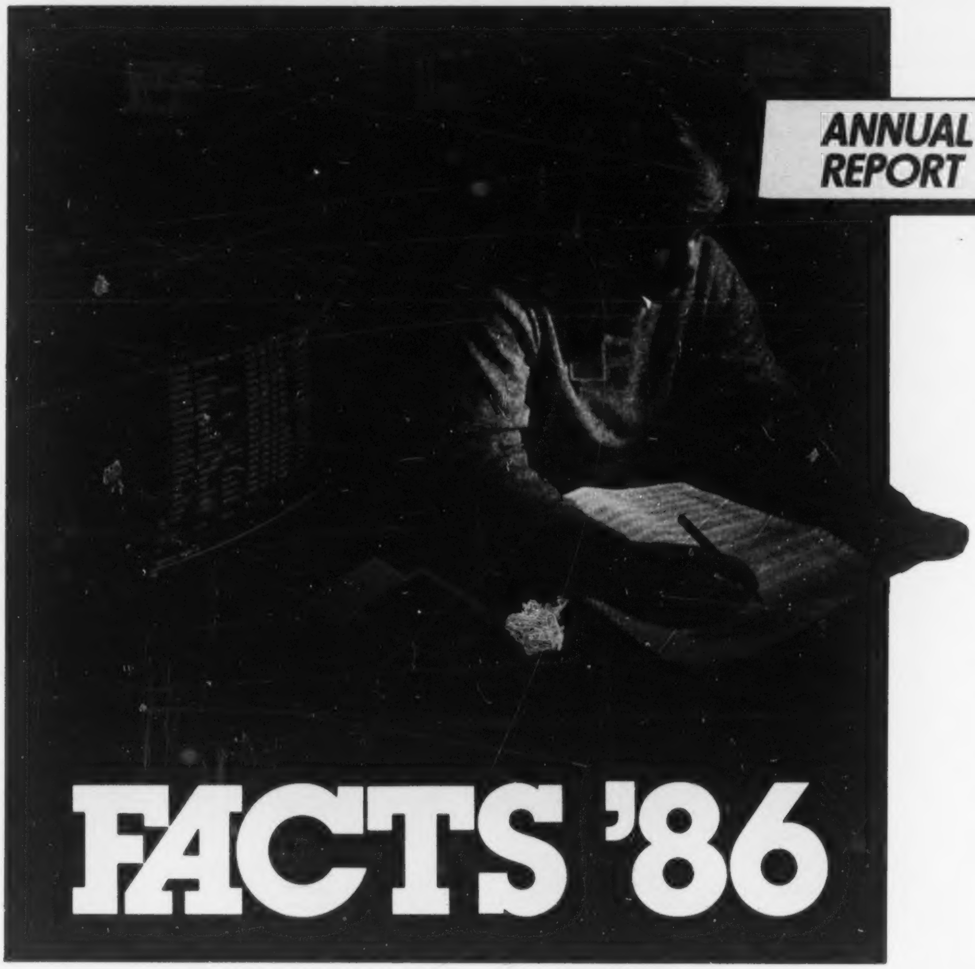


FACTS '86

Industry places more emphasis on the sales force and the trade, as consumer promotion growth lags.

The incentive picture in 1986 presents a crazy quilt of varied hues ranging from the rosy optimism of a few industries to the blues of some that are troubled and depressed.

Unfortunately the overall effect is gray, with minimal growth—only a 2.9 percent estimated increase in expenditures over the 1985 level.

The patchwork includes 10 industry groups that increased their incentive activity at a faster pace than last year and 10 that report declines in promotional programs.

In total, American business is spending an estimated $13.14 billion for all types of incentive efforts this year. The expansion of 2.9 percent over last year is the smallest recorded in many years. With inflation at a record low for recent times, some slight real growth exists, but it is nothing to brag about.

However, promotions seem to be working effectively, as shown by **Incentive Marketing**'s five special surveys in the course of the year. Results are a bit less impressive than those of 1985 but nevertheless worth the effort.

FACTS '86

Of specific promotion types, sales incentives are the best performers this year, with a gain of 6.7 percent.

Consumer promotion is where the weakness shows in the 1986 estimates, with no growth seen. Trade promotion, on the other hand, is up by 6.2 percent this year. Many users appear to be losing faith in the pull of direct appeals to their customers in favor of the push they hope salespeople and dealers can exert to keep their market shares up.

The most depressed industry of all, farm equipment, reports a 13.5 percent decline in incentive usage this year—its first major drop. Even in 1985, when prospects in the farm market were quite grim, the equipment industry increased spending by 5.5 percent.

The two automotive groups are the only ones in the top 10 user industries to decline in usage this year, and they account for the largest dollar drop by far. Both cut back across the board, but the reductions in consumer promotion were the largest.

Makers of auto parts, tires and accessories, the third largest user, pulled back by 5.3 percent. The "aftermarket" is affected by the high level of new-car sales, reducing the replacement and repair market somewhat. These companies have made reductions in every type of incentive program.

Automobiles and trucks, the fifth largest incentive user last year, has fallen to sixth with a 2.7 percent decline in expenditures. Preoccupied with rebates and loan-rate promotions, the car makers' consumer premium usage, never big, has shrunk to less than half the amount spent last year. Their use of sales incentives has stayed about even, while promotion to dealers show a small decline.

Other industries retreating in incentive usage this year include apparel, down 9.7 percent; housewares and home furnishings, down 8.5 percent; furniture and floor coverings, down 8.0 percent; hardware, down 2.1 percent; banks and savings and loans, down 2.1 percent, and industrial chemicals, down 0.8 percent.

Another laggard is the retail grocery field, which reduced its premium usage by 6.5 percent this year. The largest single influence in this cutback was the dropping of trading stamps in supermarkets. Trading stamps overall dipped by 12.6 percent to $456 million, their lowest point since 1979.

At the other end of the scale, 10 industries increased their incentive usage this year by more than 8 percent—above the rate of increase in 1985. These winners are:

Pharmaceuticals	**+12.9%**
Paints & varnishes	**+12.6%**
Machinery & supplies	**+11.8%**
Electric appliances	**+11.0%**
Heating & air conditioning	**+10.5%**
Petroleum products	**+ 9.8%**
Public utilities	**+ 9.8%**
Food products	**+ 9.4%**
Paper products, packaging	**+ 8.8%**
Insurance	**+ 8.1%**

Three of these—food products, insurance and petroleum products—are among the 10 largest users of incentives. And another, heating and air conditioning, moves into the 10th position this year, edging out publishers, printers and broadcasters, whose 7.0 percent increase fell a bit short

THE INCENTIVE FIELD AT A GLANCE

(ALL FIGURES IN THOUSANDS—"000" OMITTED)

	1985 EXPENDITURES	% CHANGE	1986 EXPENDITURES	% CHANGE
SALES INCENTIVES	$3,264,679	9.4	$3,484,645	6.7
Merchandise	2,468,214	9.2	2,628,691	6.5
Travel	796,465	10.1	855,954	7.5
DEALER INCENTIVES	$2,228,063	8.9	$2,346,799	5.3
Merchandise	1,456,672	8.3	1,532,474	5.2
Travel	771,391	10.2	814,325	5.6
MERCHANDISE TOTAL	$3,924,886	8.8	$4,161,165	6.0
TRAVEL TOTAL	$1,567,856	10.1	$1,670,279	6.5
TRADE TOTAL	$5,492,742	9.2	$5,831,444	6.2
BUSINESS GIFTS	$1,179,502	5.1	$1,211,722	2.7
CONSUMER PREMIUMS				
Product Promotion:	$3,629,492	8.3	$3,685,931	1.6
• Mail-in Offers	1,827,436	7.5	1,864,186	2.0
• Direct Premiums	1,802,056	9.1	1,821,745	1.1
Retail Promotion:	$2,468,500	6.1	$2,411,000	–2.3
• Trading Stamps	522,000	–5.8	456,000	–12.6
• Other Retail Premiums	1,946,500	9.8	1,955,000	0.4
CONSUMER TOTAL	$6,097,992	7.4	$6,096,931	—
TOTAL USAGE	$12,770,236	7.9	$13,140,097	2.9

of keeping up with the leaders. The top 10 industries in this year's survey account for 41 percent of all premium and incentive expenditures. As a group, they boosted their budgets by 5.0 percent.

As for specific promotion types, sales incentives are the best performers this year, with an overall gain of 6.7 percent. Merchandise offerings rose by 6.5 percent and travel, 7.5 percent.

Dealer promotion activity is slightly less vigorous, but still respectable—up 5.3 percent, with merchandise programs expanding 5.2 percent and travel campaigns up 5.6 percent.

Business gifts show 2.7 percent growth, fairly weak in comparison with recent years' movement.

In the manufacturer segment of consumer premiums, mail-in promotions fared best, rising an estimated 2.0 percent over last year. Direct premiums gained only 1.1 percent. Retail promotions declined by 2.3 percent.

In the 1985 FACTS report, it was stated that users strong in consumer promotion believed conditions pointed toward greater focus on consumers in the year ahead—"if consumer resistance rises in the face of economic slowdown."

Consumer resistance, though threatened, has not risen significantly this year, but it may be on the horizon.

Economists have been telling us for months that consumer spending is driving the economy. But lately we hear disturbing sounds: The much quoted surveys of the Conference Board and the University of Michigan show a drop in consumer confidence. And the Commerce Department reports that the personal savings rate has dropped to its lowest point in more than three decades. The spending spree seems unsustainable.

Yet marketers are reacting not by stepping up promotion to the consumer but by redirecting effort to attack the problem through trade channels.

Meanwhile, the surveys have shown that consumer promotion has not failed to perform this year; results are in line with those of previous years.

If the consumer's buying mood does cool, the need will be for more, not less, incentive promotion. Incentives properly applied have shown the power to make a difference in the past. ■

Sales Incentives

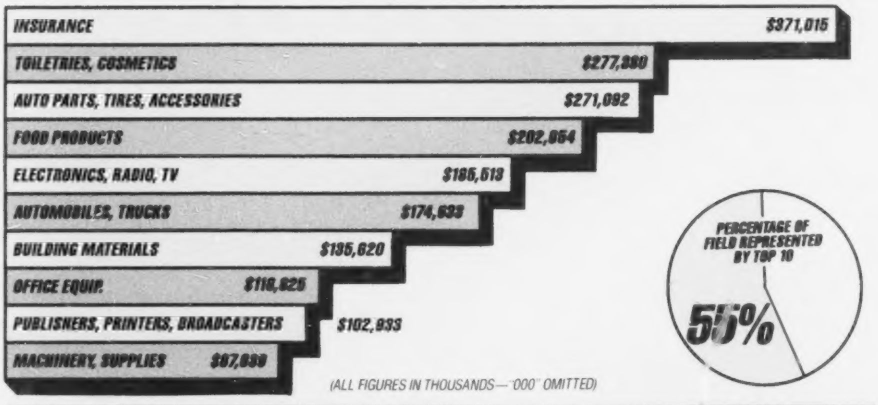
While sales incentives have not set the marketing world afire this year, they have performed well—better than the rest of the motivation field.

Marketers this year have been spending a record-high 26.5 percent of all incentive dollars to motivate their salespeople.

Estimates of sales incentive spending totalled $3.48 billion—a hike of about 6.7 percent over 1985. In 15 industries, budgets for salesforce programs grew at a higher rate than the average, while spending in five industries was lower than the previous year.

Compared with the paltry 2.9 percent growth of the entire field, that increase seems bullish. Still it

TOP SALES INCENTIVE USERS (1986)



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FACTS '86

Farm equipment reported the greatest decline in expenditure for sales incentives, while food products had the largest gain.

pales in comparison with last year's 9.4 percent rate and the 19.9 percent drive of 1984.

For the second consecutive year, sales executives' early estimates of their campaign spending had to be scaled down. A mid-year survey showed sales incentive users boosting budgets by 9.1 percent, close to the growth rate of 1985. This optimism did not hold up throughout the year.

Spending for incentive travel expanded a bit more than for merchandise. Travel outlays rose to an estimated $855 million, up 7.5 percent from last year. Merchandise users added 6.5 percent, for a total of $2.63 billion.

Travel also edged out merchandise in dealer incentives, where total spending grew by 5.3 percent. Both sales and dealer motivation were far ahead of consumer premiums, which showed no measurable percentage change.

Five industry groups reported declines in expenditure for sales incentives this year. Farm equipment was the largest loser, down 14 percent.

Although building materials was one of the stronger gainers, two housing-related industries reported substantial cutbacks: housewares and home furnishings, by 10.5 percent, and furniture and floor coverings, by 8 percent. Auto parts, accessories and tires posted a drop of 1 percent in sales-force motivation, while automobiles and tires added only 0.3 percent. Apparel was off by a slim 0.7 percent.

The strongest performers this year are a diverse group. Food products showed the largest advance in promotional efforts to salespeople, up 31.4 percent, and pharmaceuticals upped its spending by 21.8 percent. Building materials increased sales incentive budgets by 20.9 percent, and related industries like electrical and lighting equipment, heating and air conditioning, and paints and varnishes all did rather well.

Office equipment firms invested 12.8 percent more than a year ago, and petroleum products are up 12.2 percent.

Here are the percentage changes reported by the 32 industry groups:

Apparel	**– 0.7%**
Auto parts, accessories & tires	**– 1.0%**
Automobiles & trucks	**+ 0.3%**
Banks and savings & loans	**+ 4.5%**
Beer, ale & soft drinks	**+ 3.4%**
Building materials	**+20.9%**
Detergents & cleansers	**+ 4.6%**
Electric appliances	**+18.1%**
Electrical & lighting equipment	**+ 9.5%**
Electronics, radio & TV	**+ 6.3%**
Farm equipment	**–14.0%**
Feed, fertilizer & farm supplies	**+ 9.5%**
Food products	**+31.4%**
Furniture & floor coverings	**– 8.0%**
Hardware	**+ 1.7%**
Heating & air conditioning	**+ 7.0%**
Housewares & home furnishings	**–10.5%**
Industrial chemicals	**+ 4.4%**
Insurance	**+ 6.8%**
Luggage, jewelry & accessories	**+ 5.6%**
Machinery & supplies	**+10.2%**
Office equipment	**+12.8%**
Paints & varnishes	**+12.4%**
Paper products & packaging	**+10.8%**
Petroleum products	**+12.2%**
Pharmaceuticals	**+21.8%**
Public utilities	**+11.2%**
Publishers, printers, broadcasters	**+ 7.0%**
Sporting goods & toys	**+ 4.0%**
Toiletries & cosmetics	**+ 4.6%**
Distributors & wholesalers	**+ 5.1%**
Miscellaneous industries	**+ 8.7%**

Of the top 10 industries using sales incentives, only auto parts, tires and accessories decreased spending. The automotive group slipped from second to third in rank behind toiletries and cosmetics, which increased spending by 4.6 percent.

Food products, with the largest spending estimates of the year, jumped from sixth to fourth on the list, leaping over electronics, radio and television, and automobiles and trucks. Insurance remained on top, with a 6.8 percent increase in spending.

Despite the less-than-dramatic increase in overall activity, this year's sales incentive campaigns performed well. In sales results, the principal measure of success, they reached an average increase of 20.9 percent—the highest report since 1980.

Users spent a bit more to achieve their results this year. The average cost went to 11 percent of incremental sales and the median to 10 percent—up from a very low 8 percent average and 5 percent median in 1985. The more common median level in recent years has been 7 percent, while the average ranged from 12 percent to 16 percent in six of the last eight years.

Participation of eligible salespeople held at 40 percent, the same rate reported last year. But the unit cost of their awards rose somewhat—from a $100 median to $125 this year for merchandise prizes. Travel incentives held at a $1,500 median. ■

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FACTS '86

Dealer Incentives

Aside from the foot-dragging of a few industries, the total picture of dealer incentive promotion this year looks healthy.

Declining expenditures by a handful of major users this year made growth in dealer incentive promotion appear fairly weak, although most of American business increased its spending in this area significantly.

Eleven industries chalked up double-digit expansion in dealer incentive spending. Only six industries cut back on dealer incentives, but three of them were among the biggest spenders in the 1985 tally, which helped hold the total increase in expenditures to an estimated 5.3 percent.

The 1986 totals come to $1.53 billion spent for merchandise awards to retailers, wholesalers and distributors, a rise of 5.2 percent above last year's rate, and $814 million in travel outlays, an increase of 5.6 percent. Overall the growth rate was 1.4 percentage points below that of sales incentives, but well above the flat consumer segment of the field.

Makers of automobiles and trucks, the second-largest user's group, turned most of their promotional effort this year to rebates and/or finance-rate appeals to the car buyer. This resulted in a reduction of 53 percent in their spending in the relatively small category of consumer premiums and 3 percent off of their dealer incentive expenditures.

The same price slashing by auto manufacturers that managed to keep new car sales high had an effect on auto parts, tires and accessories firms, the largest industry in dealer promotion. Their dealer promotion spending dipped an estimated 4.6 percent.

The struggling farm equipment industry dropped from fourth to fifth largest user of dealer incentives as its budget was chopped by 11.6 percent this year.

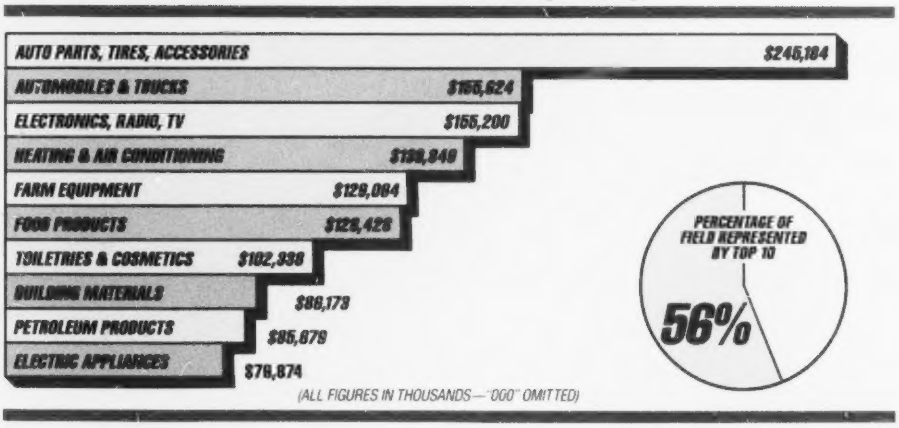
The other industries reporting a drop in dealer incentive expenditures were furniture and floor coverings, off 4.8 percent; housewares and home furnishings, down 13.8 percent, and banks and savings and loans, which reduced this insignificant part of their spending by 18.2 percent.

On the plus side, in contrast with the three top-10 industries that reduced promotion, five of the remaining seven showed major advances, all above 9 percent increases. Most vigorous among them was food products; following in order were building materials, heating and air conditioning, petroleum products and electric appliances.

This is how the estimates come out for the industry groups tabulated:

Apparel	**+ 0.5%**
Auto parts, tires, accessories	**− 4.6%**
Automobiles & trucks	**− 3.0%**
Banks and savings & loans	**−18.2%**
Beer, ale & soft drinks	**+ 8.1%**
Building materials	**+17.3%**
Detergents & cleansers	**+ 9.5%**
Electric appliances	**+ 9.2%**
Electrical & lighting equipment	**+ 9.7%**
Electronics, radio & TV	**+ 3.5%**
Farm equipment	**−11.6%**
Feed, fertilizer, farm supplies	**+ 8.1%**
Food products	**+23.8%**
Furniture & floor coverings	**− 4.8%**
Hardware	**+ 1.9%**

TOP 10 DEALER INCENTIVE USERS (1986)



(ALL FIGURES IN THOUSANDS—"000" OMITTED)

FACTS '86

The food products industry reported the largest spending increase in the top 10: 23.8 percent.

Heating & air conditioning	+11.4%
Housewares & home furnishings	–13.8%
Industrial chemicals	+ 3.5%
Insurance	+13.9%
Luggage, jewelry & accessories	+ 5.9%
Machinery & supplies	+33.4%
Office equipment	+15.1%
Paints & varnishes	+15.2%
Paper products & packaging	+11.5%
Petroleum products	+10.1%
Pharmaceuticals	+16.4%
Public utilities	+ 9.4%
Publishers, printers, broadcasters	+14.2%
Sporting goods & toys	+ 6.7%
Toiletries & cosmetics	+ 6.0%
Distributors & wholesalers	+ 5.7%
Miscellaneous industries	+ 5.2%

The average sales gain reported last year during dealer incentive programs was 18.7 percent. This year's average has not changed significantly: 18.4 percent. Both years are stronger in performance than the results in any year of the 1980s.

In dealer qualifications for the incentives offered, the overall picture is comfortably above the 50 percent some marketers consider ideal: 57 percent of eligibles earned merchandise awards and 49 percent made trips. Each average is two points above the 1985 figures reported by users.

The average reported sales gain during dealer incentive programs has been better than 18 percent for the past two years.

The cost of merchandise awards remained at a median of $50. Travel costs, however, increased from a median of $1,500 in 1985 to this year's $1,700.

The bottom line—the cost as a percentage of incremental sales during a campaign—remained level at a median of 10 percent. ■

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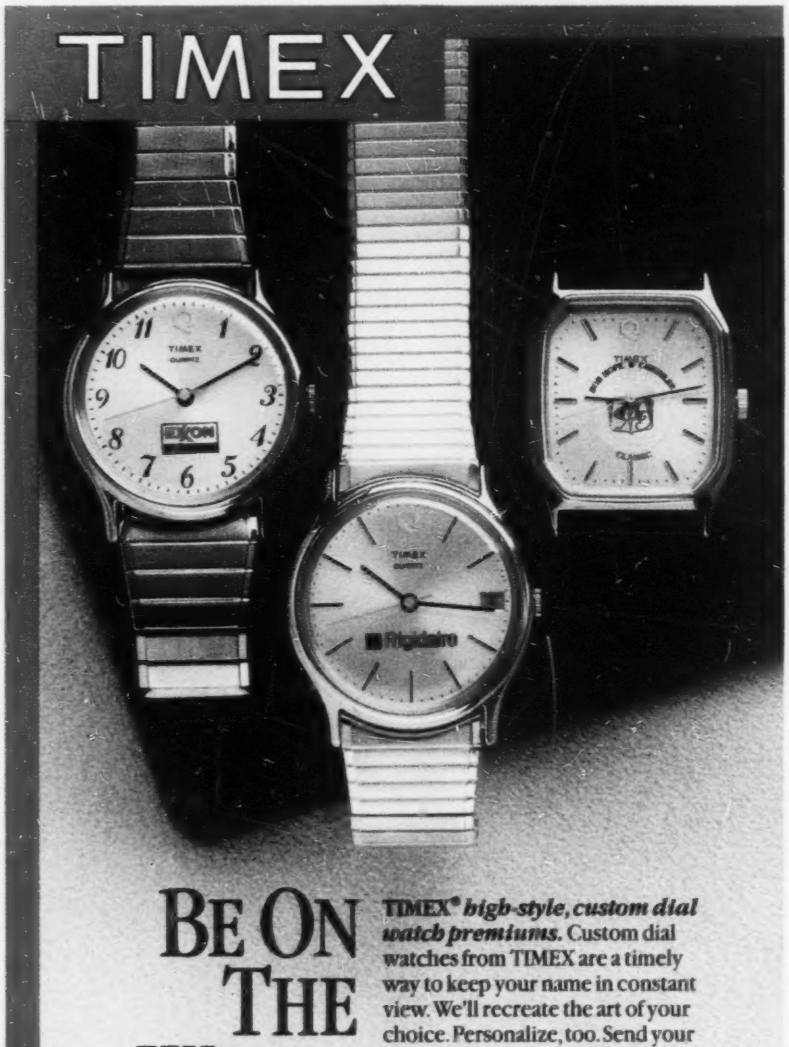

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FACTS '86

Consumer Premiums

In an economy where consumer spending is the principal mover, promotion to that buying consumer has tended to dry up nonetheless.

Vigorous consumer spending may have helped keep the national economy from going flat this year, but it did not spur any similar vigor in spending on consumer premium promotions. In fact, the year's estimates show no measurable percentage change from 1985, with a decline of about $1 million in spending.

Product promotion by manufacturers and distributors did record a minor dollar advance: up 1.6 percent to $3.69 billion. Within that total, mail-in offers to consumers rose by 2 percent and other direct premiums by 1.1 percent.

That little gain was erased by red ink on the retail side, with a decline of 2.3 percent to an estimated $2.4 billion in total spending. Retail grocers' promotion budgets dropped by 6.5 percent, mostly in the trading stamp column, while other retailers reported a 2 percent hike.

The two automotive industry categories figured strongly in depressing activity in consumer promotion this year, as they did with every type of incentive. While automobiles and trucks were a major beneficiary of consumer spending, the emphasis on price selling squeezed premiums out of their budgets to the point of a 53 percent reduction in expenditures. Makers of auto parts, tires and accessories did not cut so deeply, but their consumer promotion spending dropped by 15.5 percent from 1985, the greatest decline among the Top Ten user industries.

Only three others among the leaders showed a reduction in consumer promotion—banks and savings and loans, down 5.7 percent; housewares and home furnishings, down 5.2 percent; and office equipment, with a 6.2 percent cutback that pushed it out of the Top Ten group. Insurance, with an 11.0 percent rise, replaced it.

Despite these declines, activity for the Top Ten industries was relatively strong, and their share of the total consumer category moved up from 58 percent to 59 percent.

The largest user of consumer premiums, food products, posted the largest gain in dollars spent for consumer premiums, about $47 million ahead of last year: a 4.5 percent increase for this major promoter. Second-ranked toiletries and cosmetics added about 5.2 percent more, up $17 million.

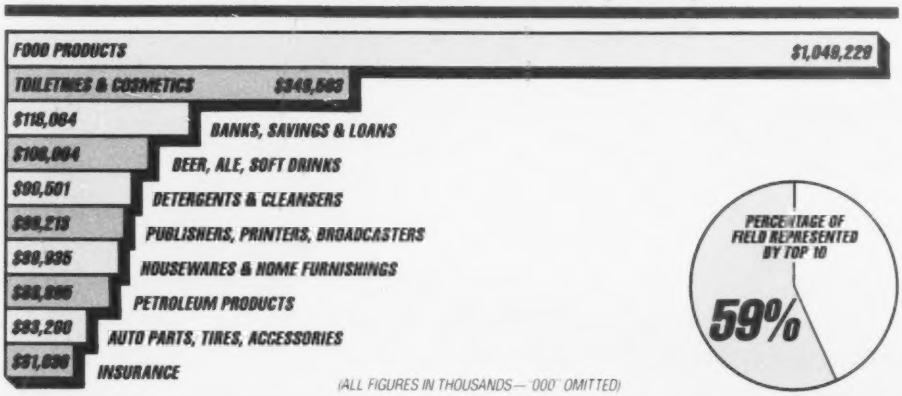
The building materials industry, though well below the Top Ten level, made a $22-million dent in consumer premium spending with its 39.8 percent retreat in expenditures.

Five industry groups report high levels of consumer promotion activity this year, with expansion well above the average. They are electric appliances, up 13.4 percent; heating and air conditioning, 13.3 percent; insurance, 11.0 percent; pharmaceuticals, 11.0 percent; and paints and varnishes with an increase of 9.9 percent.

In all, 13 of the tabulated industries showed declining expenditures and 19 groups are on the plus side. Here is the complete picture:

Apparel	**–23.8%**
Auto parts, tires & accessories	**–15.5%**
Automobiles & trucks	**–53.0%**

TOP 10 CONSUMER PREMIUM USERS (1986)



(ALL FIGURES IN THOUSANDS—'000' OMITTED)

Banks and savings & loans	– 5.7%
Beer, ale & soft drinks	+ 3.4%
Building materials	–39.8%
Detergents & cleansers	+ 4.0%
Electric appliances	+13.4%
Electrical & lighting equipment	–12.3%
Electronics, radio & TV	+ 3.2%
Farm equipment	–28.8%
Feed, fertilizer, farm supplies	– 2.2%
Food products	+ 4.5%
Furniture & floor coverings	–23.4%
Hardware	– 9.6%
Heating & air conditioning	+13.3%
Housewares & home furnishings	– 5.2%
Industrial chemicals	–12.4%
Insurance	+11.0%
Luggage, jewelry, accessories	+ 7.5%
Machinery & supplies	+ 8.0%
Office equipment	– 6.2%
Paints & varnishes	+ 9.9%
Paper products & packaging	+ 6.9%
Petroleum products	+ 7.2%
Pharmaceuticals	+11.0%
Public utilities	+ 6.9%
Publishers, printers broadcasters	+ 7.2%
Sporting goods & toys	+ 6.2%
Toiletries & cosmetics	+ 5.2%
Distributors & wholesalers	+ 0.9%
Miscellaneous industries	+ 3.3%

In most industries, there was little distinction between mail-ins and direct premiums in the spending trends, although the mail-in types ran a bit ahead in total growth—2.0 percent for mail-ins, compared with a 1.1 increase for direct premiums. In the dominant food industry, however, the balance swung slightly in the other direction with additions to direct premium budgets about $5 million ahead of those for mail-ins. Another exception was banking, where a 22.6 percent cut in mail-ins compared with only a 1.2 percent drop in other promotions.

Retail incentive activity fell off even more than product promotion during the year, especially in the grocery industry. Supermarkets, convenience stores and other food retailers recorded 6.5 percent less in premium spending than they had in 1985—largely the result of significant drops in trading stamp usage. The grocers are by far the biggest users of stamps, and the stamp volume dipped by 12.6 percent, to a total estimate of $456 million this year. Other food-store efforts, notably continuity promotions, were able to take up only about half of the slack.

This year's incentive trend has been an anomaly at best. In an economy where consumer spending is clearly the principal mover, promotion to that buying consumer has nevertheless tended to dry up in many places. And it was most notable, of course, in the automotive field—where the spending had its greatest impact and incentive activity dropped most. ■

Incentive Travel

The largest percentage gains in incentive travel spending came in small user fields.

The growth rate of incentive travel spending declined for the second straight year, despite a respectable $100 million hike in expenditures this year.

Marketers' travel expenditures posted a 6.5 percent gain to a total budget of $1.67 billion for 1986. Incentive travel spending increased by 10.1 percent in 1985 and 17.5 percent in 1984.

A drop from 1985's record high figure for sales increases during travel programs may be one reason for the slowdown in incentive travel spending. Users reported sales increases averaging 17.8 percent this year, down from last year's 21 percent figure and about equal to the 1984 level. The lower sales increase figure is something of a surprise in light of a 5 percent jump in response of eligible salespersons and dealers to travel offerings—from 31 percent to 36 percent this year.

When users analyzed their travel costs in relation to the incremental sales gained during the programs, they came out this year with a slightly bigger bill—a median 8 percent of incremental sales. Last year the median had dropped to 6 percent, after 3 years at the 7 percent level. In unit trip costs per person, this year's report stayed even with '85 at a $1,200 median.

At mid-year when IM readers recorded their experiences, the year-to-year trend pointed to an expenditure increase of only 5.5 percent, one point less than the final tally.

Sales incentive travel has grown this year at the rate of 7.5 percent, and the new estimate stands at $855 million. Last year sales-force programs moved ahead of dealer travel for the first time, with 51 percent of total spending. The same percentage share holds for this year. Promotion to dealers is at $814 million, an increase of 5.6 percent.

The automotive industries, which have exerted downward pressure on expenditures in other segments of the incentive field, have done so in travel as well, but

Users paid a slightly higher tab—8 percent of incremental sales.

to a lesser extent. Automobiles and trucks show a drop of 0.4 percent in travel expenditures. They cut 6.3 percent out of their relatively small sales incentive travel budgets, but added 1.1 percent to the larger dealer share. Makers of auto parts, tires and accessories reduced travel spending by 0.9 percent.

One other among the Top Ten travel-using industries reported a decline. Farm equipment was down 10.2 percent, which dropped the industry from fifth place to sixth among the big users, displaced by heating & air conditioning, which spent 9.5 percent more than last year for award trips.

Seven of the Top Ten increased their travel programs, all but one above the 6.5 percent average. They ranged from building materials, which boosted its travel expenditures by 20.4 percent, down to toiletries and cosmetics at 6.6 percent. The one laggard in the group was electronics, radio and TV, with only a 3.3 percent advance.

The largest percentage gains were in small user fields: petroleum products (62.6 percent); publishers, printers and broadcasters (34.9 percent), and food products (22.9 percent).

Besides the automotive and farm industries, others shrinking their travel expenditures included: banks and savings and loans; furniture and floor coverings; hardware, and housewares and home furnishings, all down between 4.7 percent and 15.0 percent.

Below are the changes in incentive travel spending for the 32 industry groups this year:

Apparel	**+ 2.2%**
Auto parts, tires & accessories	**– 0.9%**
Automobiles & trucks	**– 0.4%**
Banks and saving & loans	**– 5.3%**
Beer, ale & soft drinks	**+ 6.5%**
Building materials	**+20.4%**
Detergents & cleansers	**+ 6.0%**
Electric appliances	**+ 7.9%**
Electrical & lighting equipment	**+10.8%**
Electronics, radio & TV	**+ 3.3%**
Farm equipment	**–10.2%**
Feed, fertilizer, farm supplies	**+ 9.5%**
Food products	**+22.9%**
Furniture & floor coverings	**– 7.0%**
Hardware	**– 4.7%**
Heating & air conditioning	**+ 9.5%**
Housewares & home furnishings	**–15.0%**
Industrial chemicals	**+ 4.4%**
Insurance	**+ 8.2%**
Luggage, jewelry, accessories	**+8.5%**
Machinery & supplies	**+14.6%**
Office equipment	**+12.7%**
Paints & varnishes	**+11.2%**
Paper products & packaging	**+ 9.1%**
Petroleum products	**+62.6%**
Pharmaceuticals	**+19.9%**
Public utilities	**+ 9.8%**
Publishers, printers, broadcasters	**+34.9%**
Sporting goods & toys	**+ 5.8%**
Toiletries & cosmetics	**+ 6.6%**
Distributors & wholesalers	**+ 7.5%**
Miscellaneous industries	**+7.1%**

In all, 20 of these industries have increased their incentive travel expenditures this year by more than the 6.5 percent overall average, and only 12 are below that point. ■

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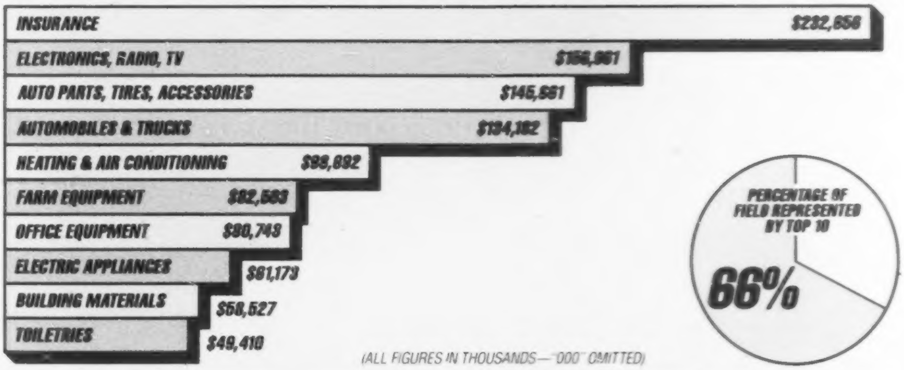
TOP 10 INCENTIVE TRAVEL USERS (1986)



(ALL FIGURES IN THOUSANDS—"000" OMITTED)

FACTS '86

Business Gifts

After early survey results pointing to double-digit gains, the final tally shows only a small gain for business gifts.

When **Incentive Marketing** completed its preliminary survey of business gift buying practices earlier this year, it looked as if the field would wrap up impressive gains for the year. Now that all the numbers are in, however, the business gifts category shows a growth rate of only 2.7 percent.

The leading business gift user category—auto parts, tires and accessories—dropped its spending by nearly 9 percent this year to $94.8 million. Toiletries and cosmetics gained a notch to the second position based on its 5.1 percent gain and on a 5.7 percent drop in spending by the automobiles and trucks category, which formerly held the number-two slot.

Of the other seven members of the top 10, all showed increases—ranging from 2.9 percent for publishers, printers and broadcasters to 10.9 percent for food products.

The following table shows estimates of spending levels, in thousands.

Auto parts, tires & Accessories	**$94,629**
Toiletries & cosmetics	**88,352**
Automobiles & trucks	**87,139**
Insurance	**59,858**
Banks and savings & loans	**48,819**
Electric appliances	**46,333**
Electronics, radio & TV	**44,503**
Food products	**41,250**
Building materials	**38,217**
Publishers, printers, broadcasters	**33,102**

The biggest trend indicated in the 1986 survey involves the time of year during which companies give gifts. Traditionally givers in the holiday season, companies this year reported a far greater inclination to give for any number of occasions, including plant visits, seminars, trade shows, employee meetings, employee anniversaries, sales meetings and key sales calls throughout the year. ■

COMING IN FEBRUARY: MERCHANDISE BUYERS' DIRECTORY

INDUSTRY-BY-INDUSTRY ANALYSIS

	EXPENDITURES 1986		*EXPENDITURES 1985*	
MISCELLANEOUS INDUSTRIES	***$1,509,836,000***	***+5.3%***	***$1,434,176,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$335,167,000	+ 8.7%	$308,417,000	+ 7.7%
Travel	$ 88,686,000	+ 8.4%	$ 81,824,000	+ 9.1%
Dealer Merchandise	$231,006,000	+ 5.0%	$220,110,000	+ 15.8%
Travel	$ 98,381,000	+ 5.9%	$ 92,880,000	+ 10.3%
BUSINESS GIFTS	$197,963,000	+ 4.0%	$190,418,000	+ 4.3%
CONSUMER PREMIUMS				
Mail-In Promotions	$270,499,000	+ 5.1%	$257,408,000	+ 7.9%
Other Premiums	$288,134,000	+ 1.8%	$283,119,000	+ 8.0%
DISTRIBUTORS & WHOLESALERS	***$1,219,972,000***	***+3.2%***	***$1,182,208,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$366,112,000	+ 5.0%	$348,579,000	+ 12.8%
Travel	$ 26,800,000	+ 6.7%	$ 25,120,000	+ 10.0%
Dealer Merchandise	$131,545,000	+ 5.3%	$124,918,000	+ 6.0%
Travel	$ 19,823,000	+ 8.7%	$ 18,244,000	+ 11.0%
BUSINESS GIFTS	$209,077,000	+ 3.0%	$203,037,000	+ 4.7%
CONSUMER PREMIUMS				
Mail-In Promotions	$271,789,000	+ 0.7%	$269,881,000	+ 8.8%
Other Premiums	$194,826,000	+ 1.2%	$192,429,000	+ 10.7%

	EXPENDITURES 1986		EXPENDITURES 1985	
APPAREL	**$53,001,000**	**-9.7%**	**$58,686,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 12,040,000	– 1.4%	$ 12,211,000	+ 10.7%
Travel	$ 3,107,000	+ 2.0%	$ 3,045,000	+ 4.2%
Dealer Merchandise	$ 8,115,000	+ 0.4%	$ 8,084,000	+ 9.5%
Travel	$ 322,000	+ 3.9%	$ 310,000	+137.9%
BUSINESS GIFTS	$ 10,173,000	+ 4.0%	$ 9,781,000	+ 6.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 8,234,000	–25.1%	$ 10,988,000	+ 6.5%
Other Premiums	$ 11,010,000	–22.9%	$ 14,267,000	+ 9.7%
AUTO PARTS, TIRES, ACCESSORIES	**$694,165,000**	**–5.3%**	**$733,148,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$188,211,000	– 1.2%	$190,522,000	+ 8.1%
Travel	$ 82,881,000	– 0.6%	$ 83,396,000	+ 8.1%
Dealer Merchandise	$182,204,000	– 5.7%	$193,211,000	+ 7.2%
Travel	$ 62,980,000	– 1.3%	$ 63,810,000	+ 9.4%
BUSINESS GIFTS	$ 94,629,000	– 8.7%	$103,664,000	+ 5.0%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 60,456,000	–13.5%	$ 69,928,000	+ 9.2%
Other Premiums	$ 22,804,000	–20.3%	$ 28,617,000	+ 8.3%
AUTOMOBILES & TRUCKS	**$399,961,000**	**–2.7%**	**$411,165,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$149,023,000	+ 1.5%	$146,808,000	+ 8.7%
Travel	$ 25,610,000	– 6.3%	$ 27,320,000	+ 10.1%
Dealer Merchandise	$ 47,052,000	–11.2%	$ 53,006,000	+ 9.9%
Travel	$108,572,000	+ 1.1%	$107,357,000	+ 10.3%
BUSINESS GIFTS	$ 67,139,000	– 5.7%	$ 71,216,000	+ 5.2%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 1,272,000	–50.7%	$ 2,582,000	– 6.3%
Other Premiums	$ 1,293,000	–55.0%	$ 2,876,000	+ 2.6%
BANKS, SAVINGS & LOANS	**$204,168,000**	**–2.1%**	**$208,510,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 34,617,000	+ 5.3%	$ 32,880,000	+ 5.0%
Travel	$ 2,349,000	– 5.7%	$ 2,491,000	+ 5.6%
Dealer Merchandise	$ 2,120,000	–20.5%	$ 2,667,000	+ 6.3%
Travel	$ 399,000	– 3.2%	$ 412,000	+ 36.9%
BUSINESS GIFTS	$ 46,619,000	+ 3.8%	$ 44,907,000	+ 8.7%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 20,122,000	–22.6%	$ 26,010,000	– 6.0%
Other Premiums	$ 97,942,000	– 1.2%	$ 99,143,000	+ 5.9%
BEER, ALE, SOFT DRINKS	**$204,036,000**	**+4.3%**	**$195,585,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 45,136,000	+ 2.8%	$ 43,920,000	+ 9.2%
Travel	$ 11,980,000	+ 5.8%	$ 11,319,000	+ 10.9%
Dealer Merchandise	$ 22,778,000	+ 8.0%	$ 21,074,000	+ 10.3%
Travel	$ 5,269,000	+ 7.9%	$ 4,882,000	+ 11.7%
BUSINESS GIFTS	$ 10,809,000	+ 8.9%	$ 9,925,000	+ 10.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 63,112,000	+ 3.8%	$ 60,814,000	+ 8.4%
Other Premiums	$ 44,952,000	+ 3.0%	$ 43,651,000	+ 10.8%

	EXPENDITURES 1986		EXPENDITURES 1985	
BUILDING MATERIALS	**$293,210,000**	**+6.1%**	**$276,248,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$103,613,000	+20.3%	$ 86,120,000	+ 9.3%
Travel	$ 32,007,000	+22.7%	$ 26,088,000	+ 20.7%
Dealer Merchandise	$ 59,653,000	+17.2%	$ 50,918,000	+ 6.9%
Travel	$ 26,520,000	+17.7%	$ 22,533,000	+ 21.6%
BUSINESS GIFTS	$ 38,217,000	+ 7.9%	$ 35,422,000	+ 6.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 12,110,000	–42.5%	$ 21,046,000	+ 8.2%
Other Premiums	$ 21,090,000	–38.2%	$ 34,121,000	+179.4%
DETERGENTS & CLEANSERS	**$203,026,000**	**+5.2%**	**$193,000,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 63,530,000	+ 4.6%	$ 60,717,000	+ 6.9%
Travel	$ 2,871,000	+ 4.4%	$ 2,750,000	+ 8.2%
Dealer Merchandise	$ 28,625,000	+ 9.4%	$ 26,173,000	+ 8.9%
Travel	$ 577,000	+14.5%	$ 504,000	+ 10.3%
BUSINESS GIFTS	$ 7,922,000	+10.2%	$ 7,191,000	+ 4.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 63,592,000	+ 3.2%	$ 61,640,000	+ 9.8%
Other Premiums	$ 35,909,000	+ 5.5%	$ 34,025,000	+ 9.3%
ELECTRIC APPLIANCES	**$200,828,000**	**+11.0%**	**$180,953,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 30,063,000	+19.8%	$ 25,088,000	+ 5.3%
Travel	$ 13,269,000	+14.2%	$ 11,617,000	+ 10.6%
Dealer Merchandise	$ 28,970,000	+14.4%	$ 25,321,000	+ 7.6%
Travel	$ 47,904,000	+ 6.3%	$ 45,060,000	+ 10.2%
BUSINESS GIFTS	$ 46,333,000	+ 6.2%	$ 43,635,000	+ 5.6%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,420,000	+ 7.7%	$ 17,108,000	+ 7.6%
Other Premiums	$ 15,869,000	+20.9%	$ 13,124,000	+ 8.7%
ELECTRICAL & LIGHTING EQUIP.	**$116,550,000**	**+6.5%**	**$109,456,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 19,163,000	+11.2%	$ 17,234,000	+ 7.0%
Travel	$ 8,927,000	+ 6.1%	$ 8,411,000	+ 6.1%
Dealer Merchandise	$ 35,774,000	+ 8.1%	$ 33,081,000	+ 7.1%
Travel	$ 12,813,000	+14.3%	$ 11,214,000	+ 11.0%
BUSINESS GIFTS	$ 27,233,000	+ 8.5%	$ 25,111,000	+ 4.2%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,611,000	–12.7%	$ 6,425,000	+ 6.8%
Other Premiums	$ 7,029,000	–11.9%	$ 7,980,000	+ 8.1%
ELECTRONICS, RADIO, TV	**$427,853,000**	**+4.9%**	**$407,861,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$136,402,000	+ 6.0%	$128,630,000	+ 10.8%
Travel	$ 49,111,000	+ 6.8%	$ 45,964,000	+ 10.0%
Dealer Merchandise	$ 47,350,000	+ 7.9%	$ 43,888,000	+ 9.5%
Travel	$107,850,000	+ 1.7%	$105,998,000	+ 10.7%
BUSINESS GIFTS	$ 44,503,000	+ 5.8%	$ 42,080,000	+ 4.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 16,633,000	+ 4.2%	$ 15,967,000	+ 8.8%
Other Premiums	$ 26,004,000	+ 2.6%	$ 25,334,000	+ 7.9%

	EXPENDITURES 1986		EXPENDITURES 1985	
FARM EQUIPMENT	**$199,321,000**	**−13.5%**	**$230,492,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 24,320,000	−16.0%	$ 28,944,000	+ 3.3%
Travel	$ 24,649,000	−12.0%	$ 28,006,000	+ 6.0%
Dealer Merchandise	$ 71,210,000	−13.3%	$ 82,125,000	+ 5.2%
Travel	$ 57,854,000	− 9.4%	$ 63,819,000	+ 6.2%
BUSINESS GIFTS	$ 13,027,000	−18.6%	$ 15,994,000	+ 7.2%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,050,000	−26.6%	$ 5,520,000	+ 6.0%
Other Premiums	$ 4,211,000	−30.8%	$ 6,084,000	+ 6.3%
FEED, FERTILIZER, SUPPLIES	**$208,837,000**	**+4.4%**	**$200,107,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 34,353,000	+ 8.4%	$ 31,694,000	+ 6.7%
Travel	$ 14,819,000	+12.1%	$ 13,217,000	+ 4.8%
Dealer Merchandise	$ 52,046,000	+ 8.2%	$ 48,116,000	+ 5.9%
Travel	$ 22,780,000	+ 7.8%	$ 21,123,000	+ 8.9%
BUSINESS GIFTS	$ 14,886,000	+ 3.2%	$ 14,430,000	+ 4.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 16,934,000	− 2.8%	$ 17,418,000	+ 6.8%
Other Premiums	$ 53,019,000	− 2.0%	$ 54,109,000	+ 6.1%
FOOD PRODUCTS	**$1,421,563,000**	**+9.4%**	**$1,298,954,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$172,167,000	+32.2%	$130,211,000	+ 7.3%
Travel	$ 30,489,000	+26.8%	$ 24,044,000	+ 9.9%
Dealer Merchandise	$119,522,000	+24.8%	$ 95,756,000	+ 7.9%
Travel	$ 8,906,000	+11.1%	$ 8,015,000	+ 10.0%
BUSINESS GIFTS	$ 41,250,000	+10.9%	$ 37,179,000	+ 4.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$571,537,000	+ 3.7%	$551,127,000	+ 5.8%
Other Premiums	$477,692,000	+ 5.5%	$452,622,000	+ 8.8%
FURNITURE & FLOOR COVERINGS	**$80,957,000**	**−8.0%**	**$88,010,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 13,158,000	− 6.8%	$ 14,121,000	+ 5.8%
Travel	$ 3,693,000	−11.7%	$ 4,182,000	+ 7.1%
Dealer Merchandise	$ 31,942,000	− 4.1%	$ 33,321,000	+ 7.1%
Travel	$ 16,805,000	− 5.9%	$ 17,857,000	+ 9.4%
BUSINESS GIFTS	$ 6,438,000	− 6.5%	$ 6,886,000	+ 3.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,218,000	−25.6%	$ 7,009,000	+ 7.1%
Other Premiums	$ 3,703,000	−20.1%	$ 4,634,000	+ 8.5%
HARDWARE	**$32,923,000**	**−2.1%**	**$33,626,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 8,705,000	+ 0.8%	$ 8,632,000	+ 6.5%
Travel	$ 2,341,000	+ 5.1%	$ 2,227,000	+ 5.4%
Dealer Merchandise	$ 9,247,000	+ 1.7%	$ 9,093,000	+ 5.6%
Travel	$ 892,000	+ 3.6%	$ 861,000	+ 14.0%
BUSINESS GIFTS	$ 2,336,000	− 3.1%	$ 2,411,000	+ 5.1%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,213,000	− 8.4%	$ 5,692,000	+ 7.8%
Other Premiums	$ 4,189,000	−11.1%	$ 4,710,000	+ 7.3%

	EXPENDITURES 1986		EXPENDITURES 1985	
HEATING & AIR CONDITIONING	**$259,679,000**	**+10.5%**	**$234,943,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 34,310,000	+ 7.5%	$ 31,924,000	+ 9.6%
Travel	$ 46,016,000	+ 6.7%	$ 43,112,000	+ 11.1%
Dealer Merchandise	$ 87,173,000	+11.1%	$ 78,490,000	+ 10.3%
Travel	$ 52,676,000	+12.0%	$ 47,014,000	+ 10.8%
BUSINESS GIFTS	$ 21,061,000	+16.2%	$ 18,120,000	+ 5.3%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,210,000	+ 5.9%	$ 5,865,000	+ 9.0%
Other Premiums	$ 12,233,000	+17.4%	$ 10,418,000	+ 8.5%
HOUSEWARES, HOME FURNISHINGS	**$185,838,000**	**-8.5%**	**$203,144,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 43,846,000	- 8.9%	$ 48,132,000	+ 2.8%
Travel	$ 7,525,000	-18.9%	$ 9,283,000	+ 7.9%
Dealer Merchandise	$ 21,263,000	-14.9%	$ 24,995,000	+ 6.4%
Travel	$ 6,140,000	- 9.5%	$ 6,788,000	+ 9.8%
BUSINESS GIFTS	$ 17,129,000	-10.4%	$ 19,121,000	+ 4.1%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,825,000	- 6.2%	$ 6,211,000	+ 8.1%
Other Premiums	$ 84,110,000	- 5.1%	$ 88,614,000	- 2.0%
INDUSTRIAL CHEMICALS	**$97,782,000**	**-0.8%**	**$98,533,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 16,565,000	+ 3.9%	$ 15,940,000	+ 9.9%
Travel	$ 6,473,000	+ 5.8%	$ 6,121,000	+ 9.1%
Dealer Merchandise	$ 33,021,000	+ 3.6%	$ 31,887,000	+ 9.5%
Travel	$ 7,206,000	+ 3.2%	$ 6,984,000	+ 5.3%
BUSINESS GIFTS	$ 17,443,000	- 3.7%	$ 18,120,000	+ 5.2%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 3,955,000	-10.0%	$ 4,393,000	+ 5.7%
Other Premiums	$ 13,119,000	-13.1%	$ 15,088,000	+ 9.2%
INSURANCE	**$584,273,000**	**+8.1%**	**$540,394,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$198,084,000	+ 7.5%	$184,271,000	+ 7.6%
Travel	$172,931,000	+ 6.1%	$162,981,000	+ 11.5%
Dealer Merchandise	$ 12,841,000	+ 9.9%	$ 11,689,000	+ 8.1%
Travel	$ 59,725,000	+14.8%	$ 52,011,000	+ 10.4%
BUSINESS GIFTS	$ 59,656,000	+ 5.6%	$ 56,446,000	+ 4.6%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 72,322,000	+11.1%	$ 65,108,000	+ 7.2%
Other Premiums	$ 8,714,000	+10.5%	$ 7,888,000	+ 9.4%
LUGGAGE, JEWELRY, ACCESSORIES	**$26,194,000**	**+6.8%**	**$24,532,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 8,203,000	+ 4.6%	$ 7,840,000	+ 7.4%
Travel	$ 2,817,000	+ 8.7%	$ 2,592,000	+ 10.7%
Dealer Merchandise	$ 4,788,000	+ 5.6%	$ 4,533,000	+ 9.4%
Travel	$ 672,000	+ 7.5%	$ 625,000	+ 11.2%
BUSINESS GIFTS	$ 1,423,000	+15.9%	$ 1,228,000	+ 7.0%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,580,000	+ 6.9%	$ 5,220,000	+ 9.0%
Other Premiums	$ 2,711,000	+ 8.7%	$ 2,494,000	+ 6.4%

	EXPENDITURES 1986		EXPENDITURES 1985	
MACHINERY & SUPPLIES	**$138,859,000**	**+11.8%**	**$124,189,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 60,626,000	+12.7%	$ 53,817,000	+ 11.4%
Travel	$ 27,013,000	+ 5.0%	$ 25,734,000	+ 10.8%
Dealer Merchandise	$ 7,530,000	+15.5%	$ 6,519,000	+ 7.9%
Travel	$ 10,536,000	+50.0%	$ 7,024,000	+ 3.3%
BUSINESS GIFTS	$ 21,407,000	+ 5.9%	$ 20,215,000	+ 5.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,618,000	+ 6.9%	$ 6,191,000	+ 8.2%
Other Premiums	$ 5,129,000	+ 9.4%	$ 4,689,000	+ 11.1%
OFFICE EQUIPMENT	**$265,418,000**	**+6.5%**	**$249,129,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 55,475,000	+13.0%	$ 49,108,000	+ 9.1%
Travel	$ 63,350,000	+12.7%	$ 56,216,000	+ 10.2%
Dealer Merchandise	$ 28,173,000	+16.4%	$ 24,196,000	+ 8.9%
Travel	$ 17,393,000	+12.9%	$ 15,408,000	+ 10.5%
BUSINESS GIFTS	$ 28,511,000	+ 6.1%	$ 26,883,000	+ 6.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,125,000	– 8.0%	$ 11,003,000	+ 7.8%
Other Premiums	$ 62,391,000	– 5.9%	$ 66,314,000	+ 8.3%
PAINTS & VARNISHES	**$60,972,000**	**+12.6%**	**$54,161,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 14,926,000	+12.9%	$ 13,222,000	+ 9.1%
Travel	$ 4,670,000	+11.0%	$ 4,208,000	+ 10.4%
Dealer Merchandise	$ 10,832,000	+19.1%	$ 9,096,000	+ 9.2%
Travel	$ 10,047,000	+11.4%	$ 9,021,000	+ 9.8%
BUSINESS GIFTS	$ 2,355,000	+11.5%	$ 2,112,000	+ 1.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 12,633,000	+10.7%	$ 11,412,000	+ 5.6%
Other Premiums	$ 5,509,000	+ 8.2%	$ 5,090,000	+ 8.7%
PAPER PRODUCTS & PACKAGING	**$80,871,000**	**+8.8%**	**$74,306,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 10,683,000	+12.6%	$ 9,485,000	+ 9.7%
Travel	$ 10,122,000	+ 9.0%	$ 9,290,000	+ 10.3%
Dealer Merchandise	$ 10,804,000	+12.4%	$ 9,608,000	+ 7.9%
Travel	$ 4,816,000	+ 9.5%	$ 4,398,000	+ 10.5%
BUSINESS GIFTS	$ 11,678,000	+ 7.3%	$ 10,884,000	+ 5.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,232,000	+ 7.2%	$ 17,001,000	+ 7.5%
Other Premiums	$ 14,536,000	+ 6.6%	$ 13,640,000	+ 7.2%
PETROLEUM PRODUCTS	**$261,618,000**	**+9.8%**	**$238,304,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 57,251,000	+ 3.3%	$ 55,412,000	+ 8.4%
Travel	$ 14,827,000	+67.7%	$ 8,841,000	+ 6.8%
Dealer Merchandise	$ 71,696,000	+ 4.0%	$ 68,907,000	+ 8.5%
Travel	$ 13,983,000	+57.5%	$ 8,877,000	+ 7.9%
BUSINESS GIFTS	$ 14,966,000	+12.2%	$ 13,336,000	+ 5.6%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 35,033,000	+ 7.1%	$ 32,717,000	+ 6.2%
Other Premiums	$ 53,862,000	+ 7.3%	$ 50,214,000	+ 7.6%

	EXPENDITURES 1986		EXPENDITURES 1985	
PHARMACEUTICALS	***$172,919,000***	***+12.9%***	***$153,159,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 52,192,000	+12.9%	$ 46,217,000	+ 8.1%
Travel	$ 14,111,000	+15.4%	$ 12,231,000	+ 10.0%
Dealer Merchandise	$ 21,854,000	+12.3%	$ 19,459,000	+ 11.5%
Travel	$ 9,050,000	+27.8%	$ 7,084,000	+ 8.1%
BUSINESS GIFTS	$ 30,917,000	+11.2%	$ 27,814,000	+ 6.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 20,870,000	+14.5%	$ 18,232,000	+ 7.1%
Other Premiums	$ 23,922,000	+ 8.1%	$ 22,122,000	+ 7.3%
PUBLIC UTILITIES	***$24,960,000***	***+9.8%***	***$22,738,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 6,137,000	+12.0%	$ 5,481,000	+ 9.3%
Travel	$ 3,066,000	+ 9.6%	$ 2,798,000	+ 8.4%
Dealer Merchandise	$ 2,994,000	+ 9.1%	$ 2,744,000	+ 8.8%
Travel	$ 361,000	+12.1%	$ 322,000	+ 11.8%
BUSINESS GIFTS	$ 2,580,000	+16.8%	$ 2,208,000	+ 1.0%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,029,000	+ 9.2%	$ 4,604,000	− 4.3%
Other Premiums	$ 4,793,000	+ 4.6%	$ 4,581,000	+ 1.8%
PUBLISHERS & BROADCASTERS	***$252,632,000***	***+7.0%***	***$236,136,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 85,707,000	+ 1.8%	$ 84,215,000	+ 10.8%
Travel	$ 17,226,000	+43.4%	$ 12,011,000	+ 11.1%
Dealer Merchandise	$ 11,918,000	+14.5%	$ 10,411,000	+ 10.3%
Travel	$ 5,466,000	+13.6%	$ 4,812,000	+ 9.3%
BUSINESS GIFTS	$ 33,102,000	+ 2.9%	$ 32,173,000	+ 3.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 67,122,000	+ 8.1%	$ 62,086,000	+ 8.8%
Other Premiums	$ 32,091,000	+ 5.5%	$ 30,428,000	+ 6.6%
SPORTING GOODS & TOYS	***$49,302,000***	***+5.7%***	***$46,657,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$ 7,715,000	+ 1.5%	$ 7,602,000	+ 4.8%
Travel	$ 6,026,000	+ 7.3%	$ 5,616,000	+ 7.6%
Dealer Merchandise	$ 9,311,000	+ 8.0%	$ 8,621,000	+ 7.3%
Travel	$ 4,386,000	+ 3.9%	$ 4,221,000	+ 8.3%
BUSINESS GIFTS	$ 2,588,000	+ 6.0%	$ 2,441,000	+ 5.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 9,470,000	+ 5.9%	$ 8,944,000	+ 8.6%
Other Premiums	$ 9.806.000	+ 6.4%	$ 9,212,000	+ 7.1%
TOILETRIES & COSMETICS	***$797,573,000***	***+5.1%***	***$759,227,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$241,191,000	+ 4.5%	$230,820,000	+ 7.9%
Travel	$ 36,189,000	+ 5.2%	$ 34,410,000	+ 11.3%
Dealer Merchandise	$ 89,117,000	+ 5.3%	$ 84,655,000	+ 9.9%
Travel	$ 13,221,000	+10.9%	$ 11,923,000	+ 15.6%
BUSINESS GIFTS	$ 68,352,000	+ 5.0%	$ 65,114,000	+ 5.1%
CONSUMER PREMIUMS				
Mail-In Promotions	$170,360,000	+ 5.2%	$161,886,000	+ 9.3%
Other Premiums	$179,143,000	+ 5.1%	$170,419,000	+ 8.0%

EMPLOYEE MOTIVATION

Keeping the Skies Friendly

Fierce competition has airlines looking for ways to prompt customer service employees to perform under pressure.

By Aaron Sugarman

The line for boarding passes stretches out of sight. The flight is significantly overbooked and indefinitely delayed. The crowd is surly. A meager number of ticket agents and flight attendants must diffuse the situation and keep angry customers from becoming angry ex-customers.

Considering the state of the airline industry, carriers have reason to be concerned about such scenarios. At a time when the airlines most need their customer contact people to be patient, pleasant and helpful, these employees are facing mounting job pressures. Their job security is threatened by mergers, bankruptcies and weakened unions, and their wages are under siege as carriers slash operating costs to survive fierce competition. It is not the type of environment that prompts employees to perform beyond the call of duty.

Airlines are well-schooled in motivating groups of people to perform in a manner favorable to themselves. They offer free trips to exotic destinations to frequent flyers, travel agents and the travel press. They have established incentive programs for corporate sales staffs and safety programs for maintenance and ground personnel. Yet many are only now wrestling with the issue of stimulating and rewarding the performance of customer service

CONTINENTAL

At American, "innovation teams" are awarded points for creative ideas to improve the airline. Winners get an "all you can grab" run through a merchandise warehouse.

employees—the people in direct contact with the consumer.

"Other than safety, customer service is the most important thing we do," said Don Shanks, vice president of customer relations for Piedmont Aviation, Winston-Salem, N.C. While other airline officials agreed with Shanks, they presented a wide variety of approaches to the task of getting the most from their employees.

Piedmont offers a number of employee motivation and recognition programs, as do Continental Airlines and American Airlines. Delta Air Lines does not, relying instead on what a spokesperson described as a strong benefits package and a supportive corporate culture. United Airlines claims that its customer service people are not interested in incentive programs, while Pan American World Airways currently has the whole matter under evaluation.

"Customer contact employees represent a group that contributes dramatically to an airline's performance but in no distinctly measurable way, which makes it exceptionally difficult to design an incentive program for them," said David Treitel, vice president of airline consulting firm Simat, Helliesen and Eichner in New York. The measurement problem has kept most airlines from implementing employee motivation programs, he explained.

Measurability is not the only factor limiting the use of incentive programs for customer contact employees, according to Quentin David, director of communications for the Chicago-based Airline Employees Association. The association represents 10,000 employees at Northwest Airlines and Frontier Airlines, as well as a couple of regional carriers. "I think management feels being cheerful and motivated is part of the normal job responsibilities and does not consider any bonuses for excelling," David said.

Airline employees also can be motivated simply by the promise of keeping their jobs, David said. During the strike by Trans World Airlines flight attendants that began last March, about 1,300 attendants resigned from their union to keep working.

Job security is what Atlanta-based Delta considers one of its most effective incentives. "No one has been furloughed in decades, and that's not something many airlines can say," said director of public relations Bill Berry. Rather than formal motivation programs, Delta prefers a more traditional set of benefits, a stock distribution plan and salary levels at or above industry norms to keep their employees productive.

The carrier does have a monthly customer service award designed to recognize extraordinary efforts by its employees. "We recognize people for exceptional efforts, like applying CPR (cardiopulmonary resuscitation) to a passenger that has collapsed in the concourse," Berry said. Each month, four or five winners out of some 40,000 employees receive a plaque and lapel pin.

Continental, which required some CPR of its own after filing for Chapter 11 bankruptcy in 1983, has been one of the most successful carriers at cutting operating costs. Wage and other concessions by employees have been countered by the introduction of cash rewards for innovative, money-saving ideas.

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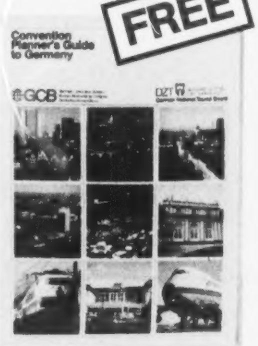

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Gain-sharing programs are Continental's primary motivational tool. "Basically if you save the company money, you're going to get a check in proportion to your contribution," said David Messing, a spokesperson for the Houston-based airline.

Continental has rewarded its flight attendants for reducing customer complaint levels, controlling the cost of overnight lodging and taking less costly meals for themselves while in-flight, he said. Incentive programs reward reservationists for sales effectiveness—reservations that actually turn into tickets used—as well as volume.

Thanks to its overall productivity efforts Continental has posted significant gains. The carrier's available seat miles (ASM's), which measure how much capacity an airline produces, rose from 1.13 million per employee in 1978 to 1.88 million in 1985—one of the highest figures in the industry, according to Simat, Helliesen and Eichner.

Piedmont has a variety of recognition programs, headed by its TOPS (Total Outstanding Passenger Service) Award. The airline's customer relations executives use the best complimentary letter from a passenger each month to select a TOPS award winner who is given five shares of company stock and an engraved plaque. All employees mentioned in complimentary letters are listed in the People Pleasers section of the company newsletter, Shanks said.

"We also encourage incentive programs on a local level, and many of our reservations facilities select agents of the month and agents of the year and celebrate with luncheons, dinners and plaques," Shanks said.

On agent appreciation day, for example, local managers and supervisors cook and serve a picnic lunch for their employees. "We just had one recently with chicken stew cooked all day in big kettles out on the back lawn, and the employees received it very well. They appreciate the efforts of the company," he said.

United does not agree with using complimentary letters to measure job performance. "Say you're checking in a counter of people and one person holds things up by trying to gain a favorable comment from a passenger while everybody else is doing their job efficiently," said Chuck Novak, a spokesperson for the airline in Chicago. "We discussed the idea of incentive programs with our employees, and they said they think they're professionals and all of them are able to pull their own weight without needing an incentive."

Dallas-based American takes the opposite tack, offering some kind of incentive program for just about every position, according to spokesperson Larry Gotardi. "We think it is very important to show public recognition of achievements and reward innovative thinking," he said. "It's a healthy program. It promotes the feeling that if you're doing a good job, you're going to be recognized."

Awards are organized at both the local and corporate department/division level, Gotardi said. Winners are given plaques, pins, certificates, letters of commendation and points redeemable through a merchandise catalogue developed for employees. At the local level, employees are nominated for recognition by co-workers, and their managers determine winners. At the department/division level, workers can be nominated by co-workers, local management, customers and others in the company.

The culmination of American's motivation programs is the "Run Through The Warehouse" award given to employee teams coming up with the best ideas for cutting costs or generating revenue for the carrier. Any department can form an "innovation team" to be awarded points for ideas. The teams with the highest number of points at the end of the year-long contest get to take a one-minute "all you can grab" run through the warehouse of an incentive merchandise firm. ■

Customer contact complaints

Airline	Reservations, ticketing, boarding complaints	Customer service complaints	Total customer contact complaints	Customer contact complaints per 100,000 passengers
Delta	19	11	30	.09
Northwest	10	3	13	.12
Piedmont	8	13	21	.13
Pacific Southwest	6	7	13	.17
American	39	40	79	.24
Eastern	36	64	100	.32
USAir	21	29	50	.32
Republic	19	29	48	.34
Pan Am	22	24	46	.49
Continental	31	38	69	.50
United	67	112	179	.52
Western	21	29	50	.56
TWA	45	51	96	.70
People Express	61	29	90	.83

SOURCE: Department of Transportation consumer complaint report for the period January 1986 through September 1986.

INTERNATIONAL

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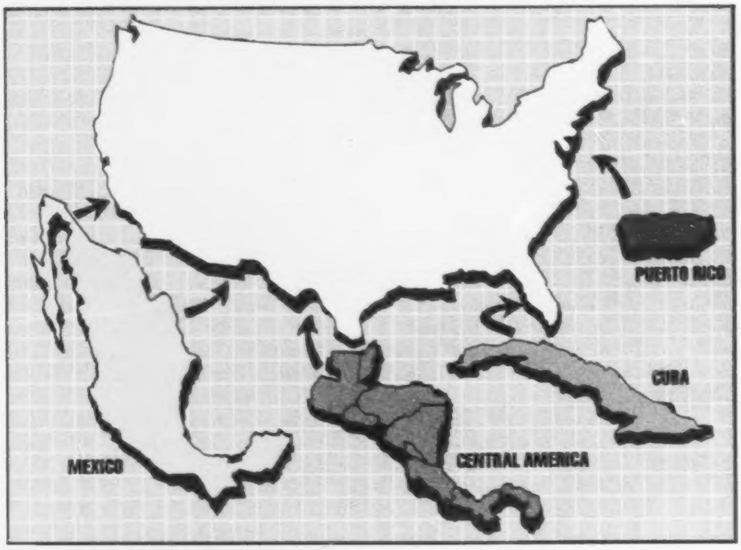

Hispanic immigration creates marketing opportunity. See page 20.

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Incentive Travel Overview

Travel spending grew at almost twice the rate of the incentive field as a whole last year.

American companies boosted their incentive travel spending by 6.5 percent in 1986, a healthy albeit more moderate growth level after two years of better than 10 percent growth. Spending jumped by $100 million over 1985 figures, to a total of $1.67 billion.

Despite the drop in growth rate, incentive travel spending still managed to more than double the 2.9 percent growth rate of the incentive field as a whole, according to the 1986 FACTS survey. Incentive travel now accounts for about 13 percent of all incentive spending.

For the second straight year, more money was spent on travel programs for salespeople than for dealers: $855 million versus $814 million. The average qualification rate for both sales and dealer awards grew to 36 percent this year from 31 percent.

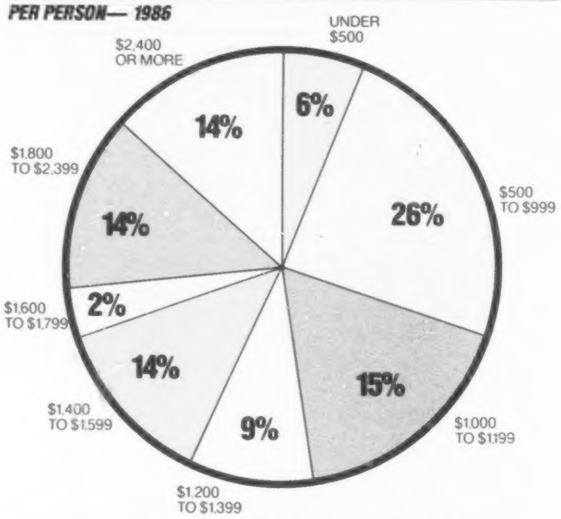
The hike in qualification levels was not accompanied by any commensurate gain in sales increases during travel programs. In fact, sales results dropped from a record high 21 percent gain in 1985 to 17.8 percent—about the same as 1984.

At the same time, travel programs cost users slightly more this year in terms of cost versus incremental sales gain. The ratio rose to a median of 8 percent, compared to 6 percent last year. The unit cost of an incentive trip remained at a $1,200 median.

While individual travel awards are becoming more popular, 56 percent of executives responding to the FACTS survey still favor group trips. The average group size in 1986 was 157, up from 148; the median remained at 75.

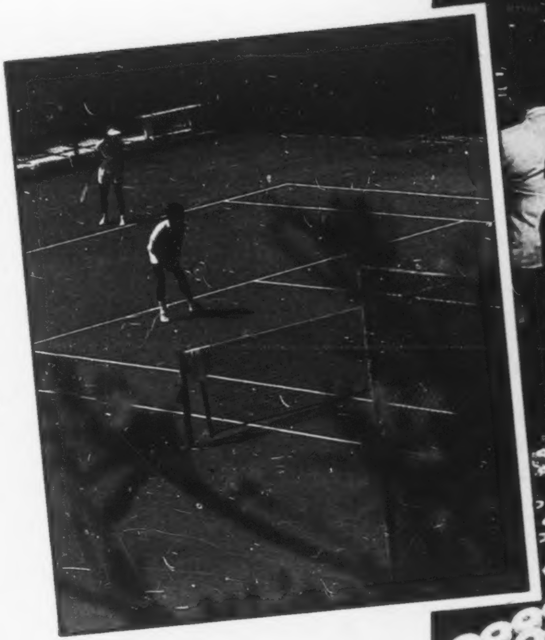
COST OF INCENTIVE TRIP

PER PERSON— 1986



AVERAGE $1,376
MEDIAN $1,200

PER COUPLE COST
APPROXIMATELY DOUBLE
(92% INCLUDE SPOUSES)



Sales results dropped from a record high 21 percent gain during travel promotions in 1985 to 17.8 percent.

A decline in the use of buy-ins in incentive travel programs was noted in this year's survey: 20 percent of respondents allowed participants who did not achieve the required goal to pay a portion of the trip's cost to attend, down from 24 percent. For those who did buy in, their average cost was 28 percent of the price of the travel award.

With a group of employees in one place, the odds are a company will hold some type of business meeting during an incentive trip. The survey found 53 percent conduct meetings during their group trips. An average of 8.7 hours of business activity is held during trips which average five nights.

Last year brought some change among the destinations most frequently mentioned by survey respondents. Hawaii, the runaway leader, and California moved ahead of Florida among preferred domestic locations.

In the Western Hemisphere, Mexico (particularly Cancun and Acapulco) was the most popular destination, followed by the Bahamas and the Caribbean, which received equal mentions. England received almost twice as many mentions as any other European country. In the Far East, Hong Kong remained the leading destination.

The insurance industry is still the most avid user of incentive travel programs, spending nearly 50 percent more than electronics, radio and television, the second most aggressive user-industry. Spending on incentive travel by auto makers and the auto parts, tires and accessories industry—the third and fourth largest incentive travel users—declined this year as the auto firms spent their promotional dollars on reduced interest rate offers to sell new cars. ■

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Incentive Marketing

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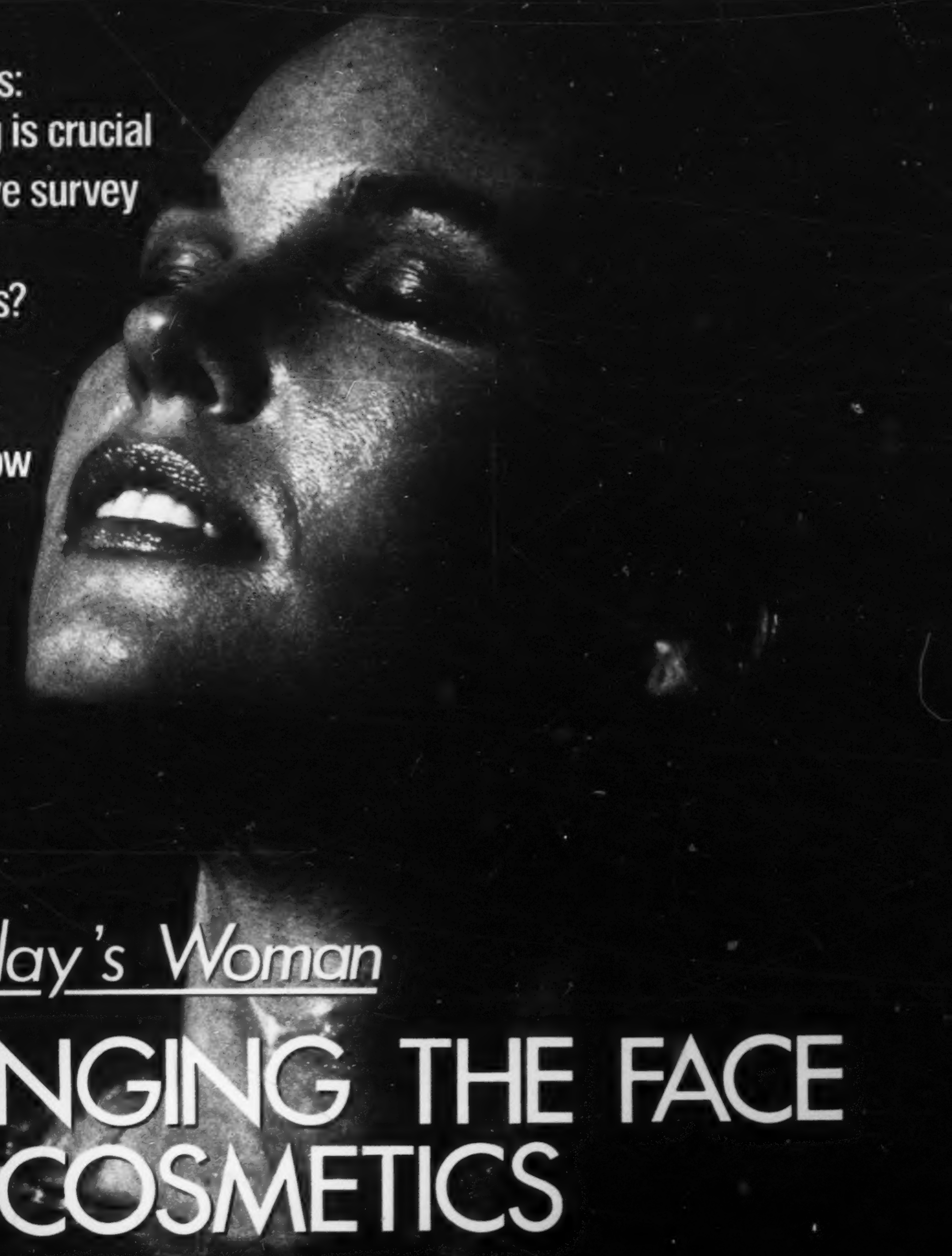
INCENTIVE TRAVEL

INCENTIVE MARKETING DEALER INCENTIVES . COSMETICS INDUSTRY APRIL 1987

- Computer sales: Where training is crucial
- Dealer incentive survey
- Do pay raises satisfy workers?
- Pullout guide to New York's motivation show



Today's Woman

CHANGING THE FACE OF COSMETICS

INCENTIVE MARKETING

April 1987

83rd Year, Vol. 161
Number 4

Cover Photo:
Comstock

Thailand, one of Asia's emerging destinations. See page 62.

UPDATE

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- While pay raises put more money in our pockets, they may hurt job satisfaction, according to a new study. Recognition awards do more to spur productivity.
- As international terrorism caused a significant drop in American travel to Europe last year, many opted for Canada and the Pacific Islands instead.
- New promotions offer supermarket shoppers the instant gratification of cash, but they also pose problems.
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Sales jump more than 18% in the average dealer promotion, while median cost is 10% of incremental sales.

FACTS UPDATE

Despite signs of a sluggish economy, marketers continue to boost spending on programs designed to motivate dealers and distributors.

Six out of 10 executives in **Incentive Marketing**'s dealer incentive survey are increasing expenditures in 1987, with budget estimates suggesting a 6.2 percent gain over last year's spending. In 1986, expenditures rose 5.3 percent to a new high of $2.35 billion—65 percent for merchandise and the rest for travel.

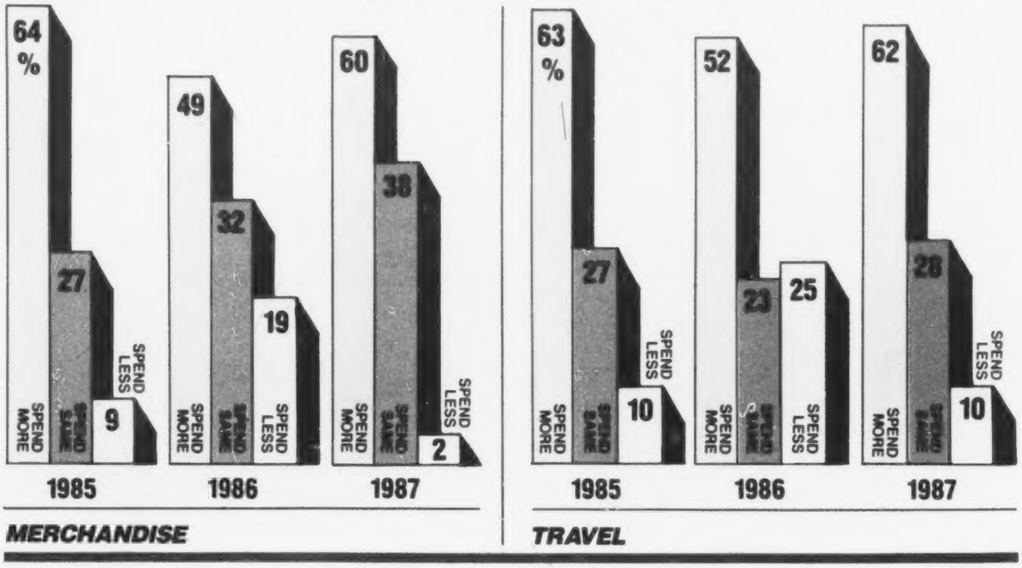
Respondents report expenditures for merchandise programs this year up 5.6 percent, compared with 5.2 percent last year. Travel spending is up 7.4 percent this year, compared with 5.6 percent. This year's survey results are based on the reporting of 223 companies.

About 60 percent of the respondents indicate that they will spend more this year for merchandise offers. On the travel side, 62 percent report an increase. A record-low 2 percent say they will spend less for merchandise, and only 10 percent will reduce travel budgets.

Consistency in performance marks the recent

LOOKING AHEAD . . .

"THIS YEAR, WHAT ARE YOUR DEALER INCENTIVE PLANS?"



history of dealer incentives—with average sales gains and costs holding steady for three consecutive years.

Readers in the most recent survey report an average increase in sales volume of 18.4 percent during a dealer promotion. This is precisely the same result found in IM's 1986 study and only a hair below the 18.7 percent experienced in 1985. This period of stable performance follows seven years of sales gains in the range of 15 percent to 17 percent, with the sole exception of an 18.4 percent average in 1980. The median gain rose to 15 percent, from 12 or 13 percent in recent years.

Overall program costs, as measured by percentage of incremental sales, also have shown sustained improvement in the last three years. This is the fourth straight year in which respondents have spent a median of 10 percent of incremental sales on dealer incentives, compared with up to 13 percent in the early 1980's.

Also relatively consistent over the last few years is the level of dealer participation—averaging 50 percent or better after several years of depressed response. Higher acceptance of the offers contributes to better results.

The small overall growth of 5.3 percent last year is deceptive because most industries increased use of dealer incentives fairly substantially. In fact, 11 reported double-digit increases. However, three of the six industries reporting declines in usage were the first, second and fifth largest users. Makers of auto parts, tires and accessories cut back dealer promotion by 4.6 percent; car manufacturers backed off by 3 percent; and farm equipment makers showed a 11.6 percent decline.

Three of the five biggest user industries—automotive parts, cars and farm equipment—cut back dealer promotion expenditures.

The greatest expansion in dealer incentive usage last year occurred in the fields of machinery and supplies, up 33.4 percent, and food products, up 23.8 percent. Machinery makers are relatively small dealer incentive users, while food manufacturers rank sixth in dealer promotion.

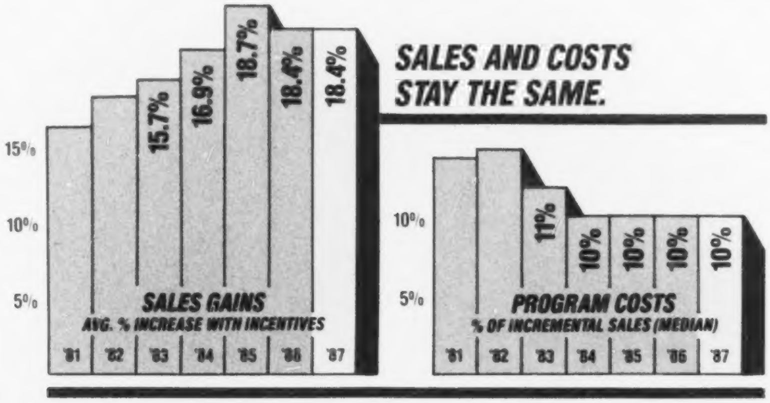
Wholesalers and distributors represent the major group of recipients of dealer incentives, targeted by 50 percent of the executives in this survey. Retailers are the focus of 46 percent; commercial and industrial dealers, 22 percent; service contractors, 18 percent, and all others, 24 percent. The total exceeds 100 percent because of multiple answers.

Of the retailers who are offered incentives, 19 percent are specialty stores; 10 percent, grocers; 6 percent, service stations; 6 percent, variety or department stores, and 5 percent, drugstores.

Why do marketers offer dealer incentives? As usual, this year's list of reasons is headed by the basic goal of most sales executives—to improve overall volume—chosen as a primary objective by 57 percent.

However, far fewer respondents cited this as a primary objective than in past years. In the 1970's, this figure averaged about 80 percent, but it has been declining steadily. This certainly does not mean that fewer marketers want to increase sales but that more marketers recognize that the principal focus must be more specific to achieve success.

The second most important motive for dealer incentives is new product introductions, reported by 39 percent. That is followed by selling new accounts, reported by



SALES AND COSTS STAY THE SAME.

32 percent, and improving morale or good will, indicated by 25 percent.

Almost half of the survey respondents (49 percent) apply the incentive backing to a selected group of products. About 36 percent, however, cover their entire product lines with the program, while the remaining 15 percent direct efforts at a single product.

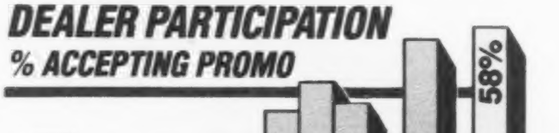
The users conduct incentive programs with varying frequency. Those who offer merchandise-only incentives run a median of three promotions a year; users of travel awards exclusively, whose campaigns generally run longer, offer one a year. Those who combine merchandise and travel awards tend to schedule their promotions twice a year.

The time to launch a promotion varies considerably according to the company and its product, market and seasonal factors. It also relates to specific objectives: Do you want to bolster a weak season, get ready for a hot one, introduce a product or adjust the product mix with emphasis on special items?

The first quarter of the year is the heaviest period for campaign launches, with two particularly strong months—January, representing 14 percent of all program starts, and March, 10 percent.

The third quarter represents the second most important launch period: September is the biggest single month, with 15 percent of program starts. The second quarter follows, with June the most important launch month in the period at 9 percent. The fewest programs begin in the fourth quarter, with 7 percent of starts in October. Annual low points occur in August and December, each with just 5 percent of campaign start-ups.

Machinery and food products manufacturers posted the greatest gains in dealer incentive usage.



The executives in this survey told **IM** that their sales goals averaged 16.9 percent gains during a promotion, with a median 15 percent. The actual average gain was better—18.4 percent—although the median was right on target at 15 percent. These same respondents were disappointed in the previous year, when average sales advanced only 15.7 percent—below their targets.

Results depend a great deal on whether the trade responds and to what extent. Budget allocations are affected not only by the sales outcome but by the percentage of eligible wholesalers, contractors, retailers or other dealers qualifying for awards. With too few active participants, the figures will not add up; too many will play havoc with most budgets.

The average qualification report falls in the neighborhood of 50 percent. This year's survey respondents say, on average, 58 percent accept merchandise offerings and 46 percent earn travel awards. This compares with last year's averages of 57 and 49 percent, respectively.

Planning an incentive program often takes as much time as the actual selling period—sometimes more. In this survey, the average time for planning a merchandise-based campaign is 13 weeks, while the duration of the promotion is nine weeks for special product deals and 14 weeks for contests or sweepstakes.

Users of travel programs spend twice as much time getting ready —26 weeks—and the selling time in the field averages another 26 weeks. The half-year average, however, obscures the fact that many users conduct year-long travel incentive campaigns.

One executive gets up to two years' mileage out of a travel program that runs about 24 weeks. This manufacturer of recreation vehicles says, "We have five groups of dealers who are eligible for the trip. They are chosen based on last year's performance. We then allow an allocated number of trips per group. In order to continue the contest, there are two qualifying periods based on dollar volume. It is the top dollar-volume dealers for each group for both qualifying periods who are awarded the designated trips. Therefore, it is not solely based on an increase over last year's business, but it will help hold sales."

The method yields sales increases ranging from 10 to 20 percent, with costs up to 20 percent of the incremental gains. About 45 percent of the eligible dealers usually qualify for the group trips, arranged by an incentive firm at a cost of more than $5,000 per couple. The groups consist of more than 300 people.

The respondent complains: "So many of the incentive houses have tunnel vision—they just do what they have been doing for the last several times at a destination and seemingly are not open to different and adventurous events."

Many users have gripes about suppliers. William P. Evers, merchandising manager for the Ford Motor Company in Hackensack, N.J., complains of trouble "obtaining good value and service for the dollars we spend."

The planning process can take as much time as the actual selling period: 13 weeks for merchandise programs and 26 weeks for travel.

He conducts promotions for New York area car and truck dealers, buying travel from full-service incentive firms and merchandise from wholesalers and jobbers. A four- to eight-week merchandise campaign will attract an average of 70 percent of targeted dealers, with awards costing an average of $400. Up to 80 percent qualify for the local travel awards offered in eight- to 12-week promotions.

"So often vendors see a large company coming and try to take advantage," Evers says. "They assume we have money to burn."

Types of Award

What to offer and where to get the awards are obvious essentials of incentive programs. There are no right answers, only the right ones for each user in terms of his objective, and audience, product and many other factors. But here is a consensus of the choices made by this year's respondents.

What types of award do you most often use as dealer incentives? (% of total respondents)

46%	**Single premium or few related items**
29%	**Merchandise from incentive firm's catalog**
26%	**Group trips**
25%	**Individual travel awards**
23%	**Own merchandise catalog or selection**

Type of merchandise considered most effective:

55%	**Home or family items**
45%	**Personal items**
21%	**Business-use items**

How merchandise premiums are delivered:

65%	**Shipped separately**
34%	**Delivered by sales force**
7%	**Packed with product**

Type of supplier generally used: Merchandise awards

45%	**Wholesaler or premium jobber**
38%	**Direct from manufacturer**
24%	**Manufacturers' rep**
21%	**Full-service incentive agency**

Travel awards

29%	**Make own arrangements**
22%	**Full-service incentive agency**
16%	**Travel wholesaler**
8%	**Travel carrier or hotel**

The money most users spend this year is a little more than in past reports for merchandise but a bit less for travel awards. Merchandise cost averages $188, compared with $129 a year ago. The median rose to $60 this year after a number of years at $50.

The average expenditure for travel is up to $1,797 from $1,745, but the median spending has dropped to $1,500, where it was in 1985, after jumping up to $1,700 last year. The per-person travel cost averages $1,113, with a median of $1,000. While most trips involve two people, some take singles, which makes the overall average less than double the per-person figure.

Most dealer incentive programs are conducted by manufacturers, but some wholesalers run their own. An incentive travel campaign has its price but also its rewards, according to J. W. Lazor, president of the Edward B. Ward Company, South San Francisco, Calif., a wholesaler of heating and air conditioning equipment. "When conducting your own trip incentive in lieu of using the manufacturer's," Lazor says, "it is extremely time-consuming if you are to pay attention to detail. Detail is what makes an incentive trip, and you certainly do not want to spend the money and have unhappy customers."

Ward runs a year-long travel campaign for dealers and contractors, spending an average of $3,000 per winner. Lazor estimates sales gains at 5 to 8 percent and spends about 15 percent of incremental sales for the trip. He promotes the trip through his sales force, in dealer sales meetings, in literature with products, and by direct-mail.

Promotion is what makes the incentive work, and users of dealer programs report spending an average of 24 percent of total budgets on it. That brings the cost of a promotion using $100,000 worth of merchandise or travel to a total outlay of about $132,000.

The job of promotion is to overcome inertia in the trade. Jack Peter, vice president of the Quad Omega Corporation, Ho-Ho-Kus, N.J., says the major problem is finding "new and/or imaginative products and travel to new places of interest—recipients have a tendency to give you the old ho-hum."

Peter apparently finds solutions, however, because he reports about 90 percent acceptance by the trade and sales gains of up to 55 percent. The cost is about 17 percent of the sales gain; about 25 percent of that cost goes for promotion.

A Southwestern insurance executive faces the difficulty of "getting a team that averages $126,000 annual income excited to produce more." His answer is several 16-week campaigns each year, offering both merchandise and travel. He manages an 80 percent qualification rate and reports sales increases in the range of 5 percent to 10 percent, at a cost of only 5 percent of the extra sales. Broker meetings are the principal means of promotion.

Sales executives are increasingly citing specific reasons like launching a new product, instead of "overall volume increase" as their primary goal.

The first promotional route for most users is the company sales force, and a lot often rides on their efforts alone. "Poor follow-up by sales personnel" can plague an incentive program, says Marvin Youngerman, vice president of marketing, Columbus Mills Inc., Columbus, Ga.

Youngerman's only means of promotion is through the sales force. He says 100 percent of targeted carpet dealers responded in the company's latest year-long mostly-merchandise promotion, bringing a 9 percent sales gain at a cost of 15 percent of the incremental volume.

Columbus Mills offered its own catalogue of more than 80 items, plus a Bahamas cruise and a Hawaii trip. A certificate was issued to dealers with every 500-yard purchase of carpet and was redeemable for items ranging from a man's shirt or a clock radio for one certificate to an outboard motor or 27-inch television set for 60. The trips required 80 and 100 certificates, respectively.

Sales-force promotion of the incentive campaign is used by 71 percent of the executives surveyed. Direct-mail ranks second, at 47 percent, followed by sales meetings, 36 percent; literature with product, 31 percent; trade shows, 20 percent; wholesalers or brokers, 11 percent, and trade publications, 6 percent.

Many decisions at various levels go into every incentive promotion, but for the final say, the buck usually stops at the top. The president, chief executive officer, executive vice president or general

WHAT CAN DEALER INCENTIVES DO?

% OF RESPONDENTS REPORTING EACH OBJECTIVE

57%	INCREASE OVERALL VOLUME	**21%**	OFFSET COMPETITION
39%	INTRODUCE NEW PRODUCT	**20%**	BUILD DEALER TRAFFIC
32%	SELL NEW ACCOUNTS	**19%**	BOLSTER SLOW SEASON
25%	IMPROVE MORALE/ GOOD WILL	**14%**	PREPARE FOR STRONG SEASON
22%	MOVE FULL LINE/ SLOW ITEMS	**10%**	SUPPORT CONSUMER PROMOTION

Inevitably, of course, business errors will occur and the wise manager will try to find the proper lessons in them. **But the trick is to learn most lessons from the experiences of others. Managers who have learned much from personal experience in the past usually are destined to learn much from personal experience in the future.**

Warren E. Buffett
Chairman of the Board,
Berkshire Hathaway Inc.

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633 THIRD AVENUE, NEW YORK, NY 10017 (212-986-4800)

FACTS UPDATE

Unit cost for merchandise averages $188, up from $129 a year ago; travel averages $1,797, up from $1,745.

manager make the final decision, according to 62 percent of survey respondents. Another 28 percent leave the last word to a director of sales or marketing. Advertising or sales-promotion heads give the final word in only 5 percent of cases, as do product or merchandising managers.

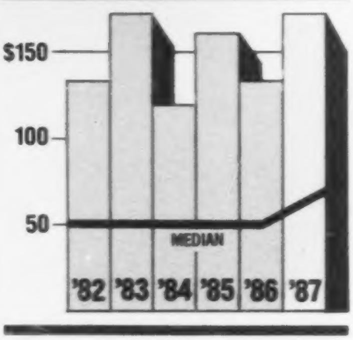
These same executives have the task of evaluating promotions at the end. And it is not easy. "The problem is determining the actual percentage of sales increase that is due to the incentive effort," says a Southeastern electronics manufacturer. "Our dealers are distributors and not too communicative about sales dollars."

The company conducts merchandise incentive programs for wholesalers at a cost of only 1 percent of added sales. About 40 percent of those eligible earn awards.

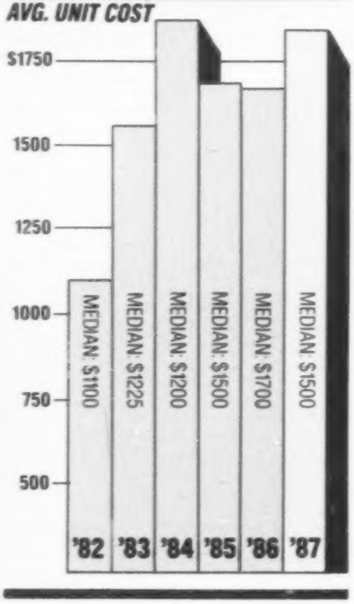
"When you conduct continuous programs and have some type of incentive campaign in operation each month, it is more difficult to evaluate effectiveness," says an appliance manufacturer. The company conducts four or five promotions a year, which run 13 weeks at a time and provide a 5 percent sales gain.

"In 17 years, we have never been able to pinpoint with any accuracy the percentage of dealers whose basic motivation in buying from us is the possibility of earning a trip," notes a New England carpet distributor. Ten percent earn trips in the campaigns which promote all of the company's items for 48 weeks at a cost of about 4 percent of sales. ■

MERCHANDISE AWARDS AVG. UNIT COST



TRAVEL AWARDS



MAY 1987

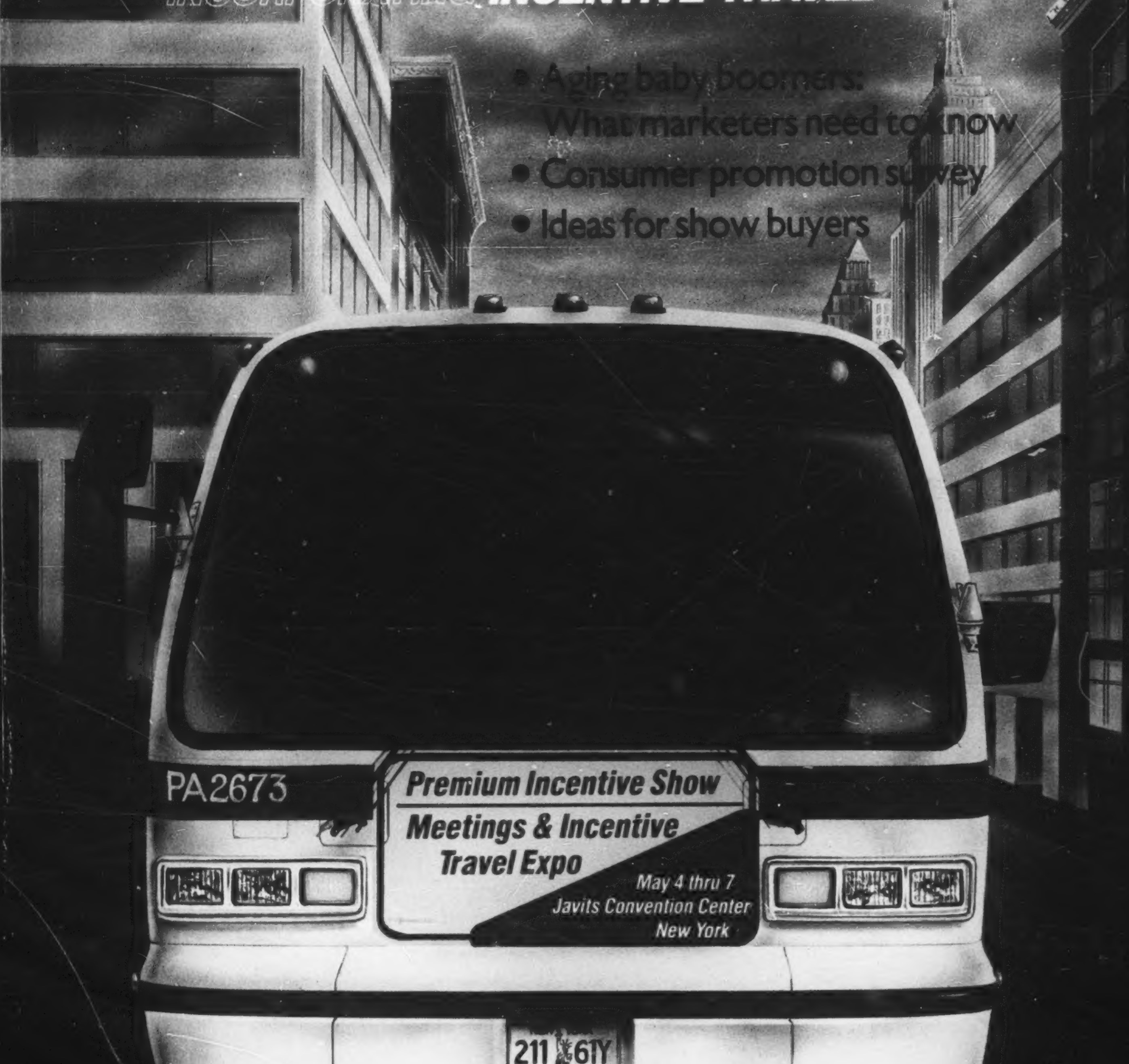
Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

A BILL PUBLICATION

C1200-4A
5/28/87

- Aging baby boomers: What marketers need to know
- Consumer promotion survey
- Ideas for show buyers


PA2673
Premium Incentive Show
Meetings & Incentive Travel Expo
May 4 thru 7
Javits Convention Center
New York
211 6TY

INCENTIVE MARKETING

May 1987

83rd Year, Vol. 161
Number 5

Cover:
Kurt Merkel

Shopping for bargains in Mexico. See page 118.

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8
- Sponsored events provide unique opportunities for a broad range of promotions.
- Auto makers cut back but not from dealer incentive travel.
- Diners' Club shares lessons learned from frequent-user program.
- Glad bag maker and Dino De Laurentiis team up for a movie that doubles as a sales promotion.
- In-store radio is the newest vehicle used by food retailers to announce promotions and boost employee morale.
- "Singles Nights" lure purchasers of high-profit products into supermarkets.
- Interstate sales tax bill has died in the Senate.
- Trends & Comments: Motivate consumers by putting their names in print....Piedmont's frequent-flyer Visa card.

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- **Trading Stamps.** The last of a breed rejuvenate their programs.

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- **Department stores.** Will recognizing salespeople improve customer service?

88 ***MEASUREMENT*** Computer monitoring helps managers set goals.

90 ***APPAREL INDUSTRY*** A few bold marketers turn to sales promotion in a struggling business.

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150 **Associations**—Rep conference explores training skills....MTV marketing exec will speak at PMC luncheon.
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Direct premiums are expected to lead an upturn in consumer promotion usage this year.

FACTS UPDATE

Consumer premiums have taken a turn for the better after a no-growth year in 1986. Early estimates from marketers show a pickup this year, mainly in direct premiums.

The trend suggested by **Incentive Marketing**'s survey would bring a 7.1 percent increase in expenditures by manufacturers and distributors this year. The projected growth is unevenly split, ranging from direct premiums' jump of 10.4 percent to mail-ins' gain of only 4.1 percent.

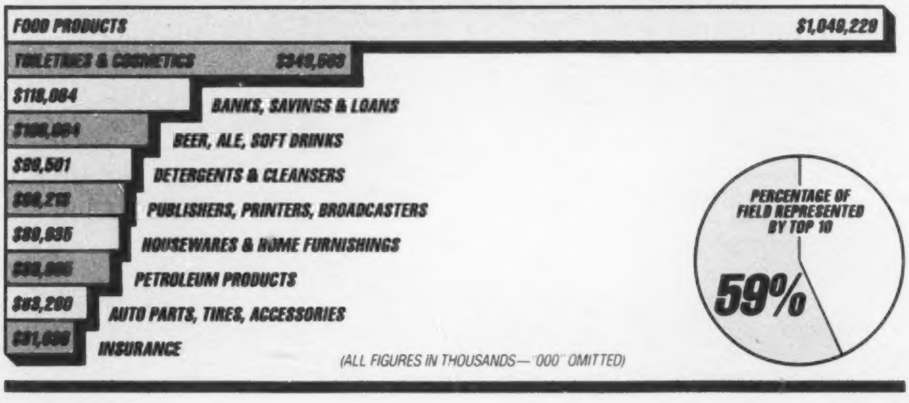
Last year's consumer promotion spending rose only 1.6 percent over 1985, and the automotive industries were partly responsible. Automobiles and trucks cut expenditures by 53 percent, as the car manufacturers spent most of the year giving money away in one form or another. These marketers are normally small users of consumer promotion, however. Manufacturers of auto parts, tires and accessories rank among the 10 largest consumer premium users. In 1986, spending in the "aftermarket" was down an estimated 15.5 percent—a cut of more than $15 million.

Food products makers, by far the largest user of consumer premiums, stayed on the positive side last year—but with a relatively weak advance of 4.5 percent. The largest percentage gainers were electric appliances (up 13.4 percent) and heating and air conditioning (up 13.3 percent), spending $5 million more between them.

Overall, 13 of the 32 tabulated industry categories showed a drop in consumer premium offers, eight of them by more than 10 percentage points from their 1985 expenditures.

Self-liquidators were weak in 1986: Outlays for this most-used type of consumer incentive declined an estimated 0.3 percent. Filling out the ranks in order of expenditures were direct premiums (given with purchase but separate from the product), up 2.8

TOP 10 CONSUMER PREMIUM USERS (1986)



FACTS UPDATE

Consumer promotion spending rose only 1.6 percent last year, thanks to deep cuts by the automotive industries.

percent; free mail-in offers, up 5 percent; factory packs, up 0.1 percent; coupon plans, down 1.9 percent, and sweepstakes/contests, up 6.8 percent.

This year's survey is based on responses from 150 users of consumer incentives. The projection of usage trends is based on year-to-year comparisons of those who supplied figures for 1986 expenditures and 1987 plans.

The projected 4.1 percent increase in mail-in offers shows both free mail-ins and sweepstakes/contests doing moderately well, with increases of 5.7 percent and 5.5 percent over the 1986 pace. But self-liquidators are slipping even more in users' plans: Their 1987 estimates are down 2.5 percent from the same users' actual experience last year.

The respondents see other consumer promotions picking up rather strongly, with direct premiums rising 14 percent, factory-packs up 10.8 percent and coupon plans up 5.4 percent.

The results gained from consumer promotion, as measured by increases in sales at retail, fell to an average of 18.8 percent in 1986, after two years above 20 percent. This year's report is virtually unchanged at 18.7 percent. The median for both years is 15 percent.

Another measurement of results is the promotion's effect on the use of display materials. For many marketers, this is the most significant element in getting the product to the consumer. Although overall usage of display materials dropped to an average of 51 percent this year from 56 percent, the average gain in usage during promotions is 38 percent, up from 32 percent a year ago.

Not all marketers rely on display to advertise their premium offers. In fact, point-of-purchase is a key medium for only 37 percent of the users in this survey—ranking it third, compared with second a year ago.

The top pick is direct mail, employed by 59 percent, and second choice goes to newspapers, 40 percent. Usage of all other media for consumer premium offers is relatively minor: television or radio, 19 percent; trade publications, 16 percent; package advertising, 14 percent; consumer magazines, 14 percent; Sunday supplements, 11 percent, and other media, 13 percent. Multiple answers indicate that well over two media types are used by the typical advertiser.

Measuring a promotion by numerical response to the advertising can be an inexact matter for most users, and statistics are thus rather scarce. On the basis of the information supplied by those who have it, results this year are somewhat

CONSUMER PREMIUMS: WHAT THEY CAN DO

(% OF USERS IN 1987 SURVEY WHO CONSIDER EACH TECHNIQUE MOST EFFECTIVE FOR REACHING EACH GOAL)

	GET SHELF ATTENTION		SELL-IN TO DEALERS		BOOST REPEAT SALES	
BEST	DIRECT PREMIUM FACTORY-PACK	14% 14	DIRECT PREMIUM FREE MAIL-IN	19% 9	COUPON PLAN DIRECT PREMIUM FREE MAIL-IN	17% 16 16
WORST	SELF-LIQUIDATOR	2%	SWEEPSTAKES	3%	SELF-LIQUIDATOR SWEEPSTAKES	2% 2
	SALES TALKING POINT		**BUILD USER GOOD WILL**		**GAIN AD READERSHIP**	
BEST	DIRECT PREMIUM FREE MAIL-IN COUPON PLAN	16% 9 9	DIRECT PREMIUM SELF-LIQUIDATOR	16% 13	FREE MAIL-IN COUPON PLAN	19% 16
WORST	FACTORY-PACK	2%	SWEEPSTAKES	5%	FACTORY-PACK	2%
	OBTAIN STORE DISPLAYS		**SAMPLE NEW USERS**		**COST-EFFECTIVENESS**	
BEST	DIRECT PREMIUM FREE MAIL-IN	31% 11	DIRECT PREMIUM FREE MAIL-IN COUPON PLAN	17% 16 16	DIRECT PREMIUM SELF-LIQUIDATOR COUPON PLAN	16% 11 11
WORST	SELF-LIQUIDATOR	2%	SWEEPSTAKES	3%	FACTORY-PACK	6%

more favorable than in the past. We asked users for their response per 1,000 advertising impressions on three types of mail-in promotion—self-liquidators under $10, self-liquidators at $10 or more, and free mail-in offers.

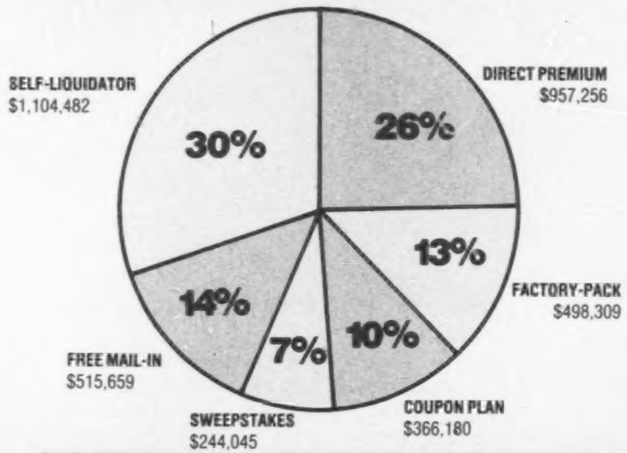
With the lower-priced liquidators, the median report is 20 per 1,000 from point-of-purchase displays; 18 from print advertising, and only three from package advertising. Response to the over-$10 offers drop to 15 per 1,000 from displays; 10 per 1,000 from print ads, and two from packages. Free mail-in offers brought a median of 20 responses per 1,000 impressions for all three media. In all categories, the return this year was slightly better than the reports in the 1986 survey.

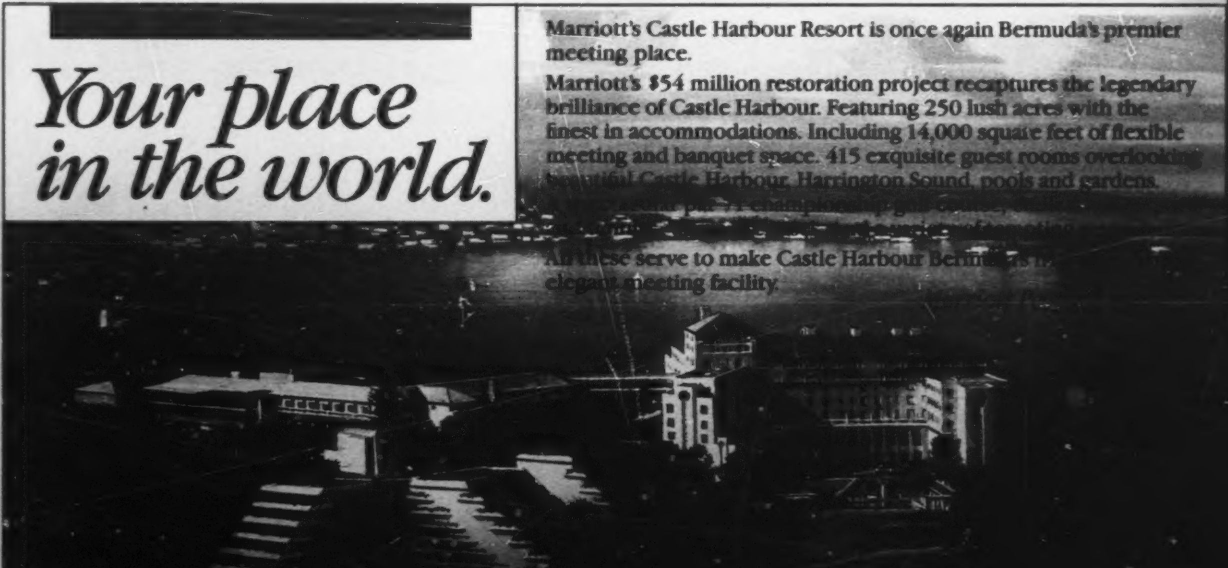
The median number of direct premium promotions run yearly was three for the typical company—the same as last year. Mail-ins rose to a median of three from last year's two. Most users concentrate on one variety or the other: 53 percent said they use mail-ins, while 71 percent conduct direct premium programs. Only 24 percent use both types.

Those who use mail-in self-liquidators have pushed the price limits quite a bit higher. The average price comes to $13.93, compared with $9.53 a year ago. And the median rose to $9.95 from $5.95. Yet users' perception of the upper

1986 CONSUMER PREMIUM USAGE

ESTIMATED EXPENDITURES FOR 6 PRINCIPAL TYPES (000 OMITTED)

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Castle Harbour
A BERMUDA RESORT

Circle No. 155 on Buyer Action Card

limits is more conservative this year. These executives believe that the average price at which response will drop significantly is $24.35, whereas surveys in the past two years showed averages over $35. The median of this year's reports is $15.

While they are asking higher prices, this year's users are subsidizing their offers more. They state that the price to the consumer covers an average of 75 percent of the premium's cost, compared with 85 percent last year and 93 percent in 1985.

On the other hand, the "price" is not really the total price in most cases. A full 84 percent of this year's survey group ask for separate amounts to cover shipping and handling. That figure has been rising steadily—from 25 percent in 1983 to 53 percent last year.

A factor that moves some users to add on "handling" charges is the perception of a retail value and the desire to make the premium look like more of a bargain than it really is. For a number of years, the practice of stating retail values in advertising declined substantially. But it is back up again—to 69 percent in the present survey. Two years ago, the last time the question was asked, 56 percent advertised value claims.

> ***Both direct premiums and factory-packs are expected to show increases of better than 10 percent this year.***

Users place a high value on a direct tie-in of premium to product. We asked if they prefer that the premium be related in use to the product, and 63 percent answered "yes." Also, 58 percent said they favor premiums customized to the product. Two years ago, 52 percent wanted related premiums and 55 percent favored customizing. While most users seek a thematic tie-in between a premium and product, so many asking for items "related in use" seems unusual.

This relationship is common to both the self-liquidator and the free mail-in, but the free offer also involves economics that can limit the horizon for related or customized items. The common denominator for free offers is unit cost as a percentage of consumer purchase required. Users' estimates reached a new high this year, jumping to 26.2 percent from 15.9 percent.

At the same time, the number of proofs of purchase required remains fairly constant. The present survey shows an average of 2.7; for four years, this number ranged between two and three.

Rapidly rising costs are affecting factory-pack premiums—on-pack, in-pack or reusable container. This year, users reported an

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Above, Hotel Tahara'a, Papeete, Tahiti

Left, Hotel Bora Bora, Nunue, Bora Bora

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HOTEL TAHARA'A
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Circle No. 133 on Buyer Action Card

Users report sales increases of nearly 20 percent during promotion periods.

average unit cost of 24.1 percent of package purchase price. This has been climbing since 1984's report of 10.9 percent.

Despite the sharp increases in costs of mail-ins and factory-packs, a bare majority of surveyed executives favors testing of promotions—52 percent, which is two points lower than last year's report. With direct premiums, however, there has been an increase in testing—favored by 60 percent, up from 53 percent a year ago.

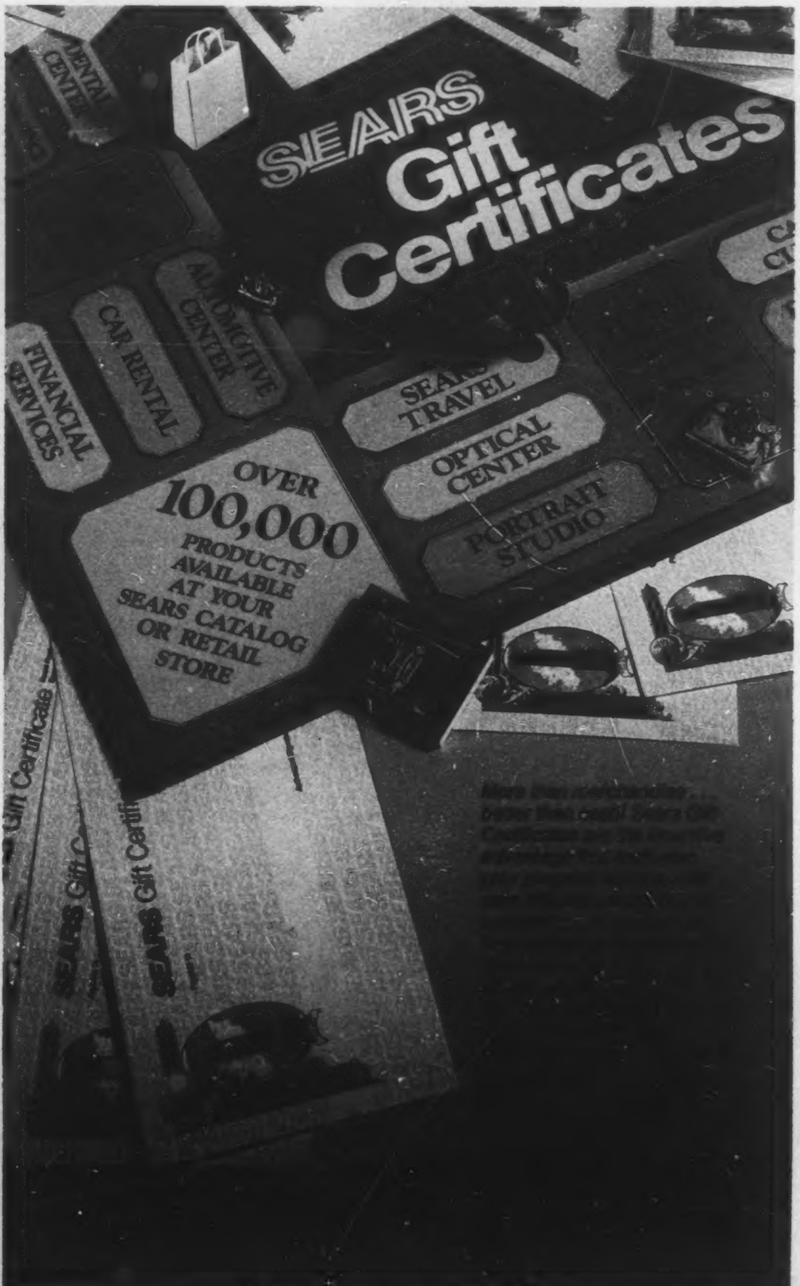
Since a complete market test is seldom possible, marketers use a variety of methods to get some reading of consumer response. The consistent favorite is a personal-interview test designed to measure item acceptance, value perception, intention to buy and other factors. The personal interview is the choice of 51 percent of survey respondents who conduct tests.

There is a three-way tie for second place: consumer panel, single offer mailed to sample group, and mail questionnaire presenting a choice of items. Each is favored by 23 percent of users. Other methods include bounce-back offers, 8 percent; newspaper split run, 7 percent; store panel test, 6 percent, and package inserts, 6 percent.

Self-liquidators continue to be weak, due in part to cost increases. The average price to consumers is $13.93, up from $9.53 a year ago, and it covers only 75 percent of the premium's cost.

Assuming that a test shows general acceptance of a premium item, the next step is forecasting response with some reasonable degree of accuracy. The marketers in this survey indicate that their results in that respect are a little better than in the past: plus or minus 19 percent on average, compared with 22 percent last year. Their satisfaction with the degree of accuracy achieved through tests is a little higher as well: 71 percent say they are satisfied, compared with 64 percent last year.

CONTINUED ON PAGE 138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Gift Certificates
DENTAL CENTER
AUTOMOTIVE CENTER
CAR RENTAL
FINANCIAL SERVICES
SEARS TRAVEL
OPTICAL CENTER
PORTRAIT STUDIO
OVER 100,000 PRODUCTS AVAILABLE AT YOUR SEARS CATALOG OR RETAIL STORE
SEARS Gift Certificate
SEARS Gift Certificate

Circle No. 177 on Buyer Action Card

BABY BOOMERS

CONTINUED FROM PAGE 56

could make services all the more effective.

Another consumer dimension that Barnett considers critical is attitude towards the home. The advances and proliferation of home entertainment equipment is splitting consumers into two distinct types: those who spend their leisure time outside of the home and those who consider home their entertainment center, Barnett said.

Desire to make the home as ideal and self-contained as possible will make the latter group covet the latest in electronics, appliances and furnishings.

How else can you reach baby boomers?

- Use market research to identify people with individual retirement accounts. The median net worth of someone with an IRA is $75,000, compared with the $23,000 median for all households, according to Gary S. Cohen, product manager at Market Facts Inc., Chicago.

The median net worth of someone with an IRA is $75,000, compared with the $23,000 median for all households.

- Use products with an affluent image. French champagne shipments reportedly increased more than 50 percent over the last three years. Caviar consumption is up, too.
- Individualize promotions. Take a lesson from the trend in fashion advertising copy, as noted in ads which recently appeared in the New York Times Magazine: "The way I see myself..." (Nilani Ltd.); "I find myself more and more beautiful..." (Rodier Paris), and "The most envied sense a woman can develop is her sense of style," (Diane Von Furstenberg). ■

CONSUMER FACTS

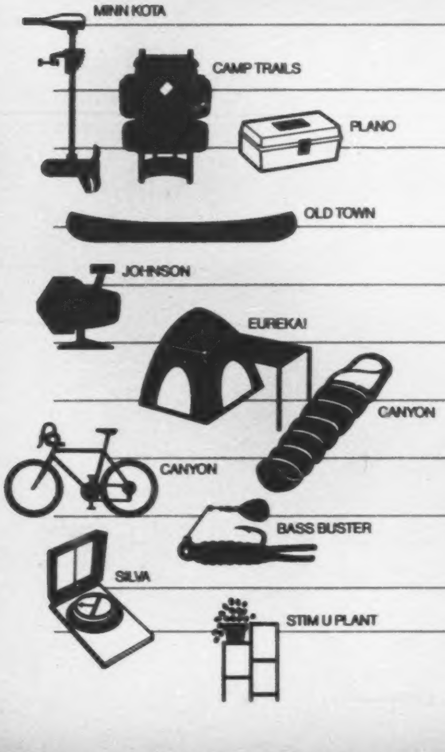
CONTINUED FROM PAGE 68

In most companies, a number of people participate in the decision-making process that leads to the purchase of premiums and planning of the promotion. The person having the last word is usually the top executive.

That is the case with consumer premium promotions but not by so wide a margin as in the case of trade promotion. Here the president, chief executive officer, executive vice president or general manager makes the final decision for 56 percent of the users. A fairly strong second is a director of sales or marketing, who has the say at 28 percent of the companies. Advertising or promotion managers decide in 8 percent, and the remaining 8 percent are product or merchandising managers.

The ratings of consumer promotion types against major objectives tend to vary quite a bit from survey to survey. The six varieties

Leisure Made Easy.



Our 4-page outdoor leisure incentive catalog reads like a Who's Who in great leisure products. Personalize the cover with your incentive program name and it's ready to go! Or choose individual items to fit your theme.

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Circle No. 138 on Buyer Action Card

Free mail-ins earn a median of 20 responses per 1,000 advertising impressions.

are subject to great variation among users in different industries with different markets. Most often, however, the results are fairly consistent in one respect: They always show the direct premium to be the primary choice for most purposes.

This year, the direct premium tops the voting in seven of nine objectives—one more than last year. In order of response, these include obtaining store displays, sell-in to dealers, sampling new users, cost effectiveness, sales talking point, building user good will and getting shelf attention. The direct premium runs an extremely close second to the coupon plan in boosting repeat sales, and it is out of the running only in gaining ad readership, which is the domain of the free mail-in.

The outlook for direct premiums—14 percent growth, as users see it now—is almost double the projection for the total field. However, both figures may turn out to be optimistic. A year ago, survey respondents were relatively bullish, too—but the year ended with very little movement. ■

AD SPECIALTIES

CONTINUED FROM PAGE 108

president of the Promotional Resources Group in Milwaukee.

Most ad specialties based on original ad campaign themes are developed by specialty distributors like Storin's organization. The ad agency responsible for the campaign usually plays a secondary role in supporting the ad specialty program, leaving the specialty firm to work directly with the client.

"There has traditionally been a rivalry between ad agencies and ad specialty companies," SAAI's Olson said. "Ad agencies like to position themselves as full-service companies."

The rivalry extends into creative design. "Ad agencies want total control of ideas," said Marjorie Caballero, a marketing research professor at Baylor University in Waco, Texas, who recently completed a study on the relationship between ad agencies and ad specialty firms for SAAI. "As a result, most ad specialty companies working with large and small agencies are really nothing more than order takers."

Olson sees more ad agencies recognizing the value of using ad specialities to support their ad campaigns—even to the point of forming their own ad specialty departments. "Still, the vast majority of them use specialty advertising distributors," he said. "Distributors are better able to stay on top of all the changes and new products available on the market." ■

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Circle No. 179 on Buyer Action Card

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7/17/87

JULY 1987

Incentive Marketing

A BILL PUBLICATION

INCORPORATING INCENTIVE TRAVEL

- How hospitals woo patients
- Business gifts survey
- Promotion war looms in book publishing

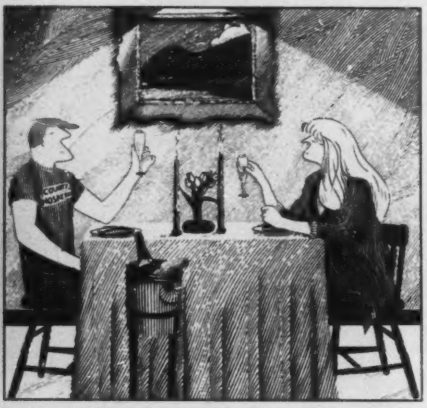
Pampers
WIN ONE OF 750 CHEVROLETS INSTANTLY
RA
pers
WIN ONE OF 750 CHEVROLETS INSTANTLY
Liquid
de

New Product Roll-Outs

INCENTIVE MARKETING
NEW PRODUCT ROLL-OUTS • BUSINESS GIFTS
JULY 1987

INCENTIVE MARKETING
JULY 1987
83rd Year, Vol. 161, Number 7

Promoting London flights to travel agents. See page 19.



Elegant dining in a hotel or restaurant? No, a hospital. See page 28.

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Saying 'no' to sales 6
Supplying products/services for consumer promotions is big business, but companies must have clearly defined management responsibilities to make the most of it.

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Innovative promotions can give new products the power to burst through established market clutter.

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Radical changes in health care, led by government's restructuring of Medicare, left hospitals with lower billings and empty beds. Now hospitals are marketers, too.

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The imagery of the American West provides more than ideas for trips and prizes; it can flavor every aspect of promotion.

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- Heli-hiking in the Canadian Rockies is for people of all ages.
- New developments spruce up Lucaya, Grand Bahama.

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Cover illustration by Kurt Merkel from a photo by Tory Wolfe

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FACTS
UPDATE

Business gifts are not just for Christmas anymore: Surveyed executives find increased occasion for giving at such events as plant visits and sales meetings.

Christmas is still the biggest date on the business gift calendar, but its dominance has slipped. Increasingly, executives are finding new gift occasions 12 months a year.

In the 1970's, Christmas giving was the rule for 80 to 85 percent of surveyed executives, with just a smattering of activity at other times. Last year, the preference for Christmas was down to 67 percent. Different holidays crept up in popularity, but "other" occasions showed the largest growth.

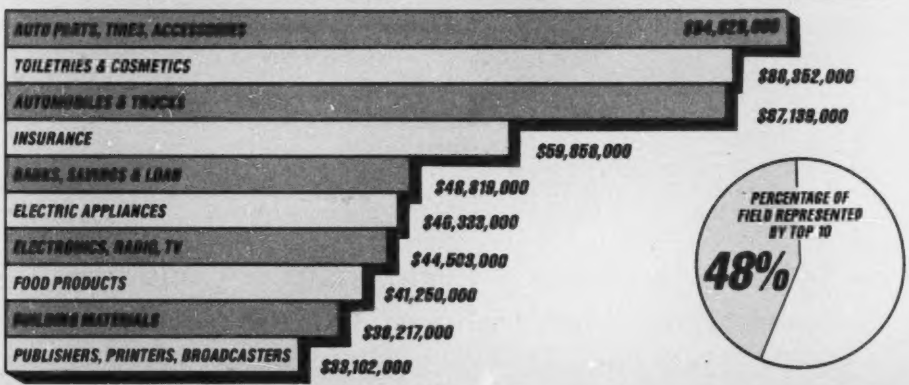
This year's business gifts survey finds a bit more Christmas spirit —70 percent of respondents give then. But the "other" category has increased even more, up to 48 percent from 40 percent a year ago. Remaining gift-giving occasions include: company anniversary, 10 percent; birthdays, 7 percent; Thanksgiving, 4 percent, and New Year's, 3 percent.

Among the other occasions noted by executives are plant and office visits, trade shows, seminars and sales meetings, employee outings, safety campaigns, key sales calls, closing of an order, birth of a child, annual meetings, product introductions, special promotions, length of service, thanks for referrals, board meetings, incentive trips and "whenever I feel like it."

Spending for gifts on all of these occasions in 1986 was estimated at $1.21 billion, about 2.7 percent more than U.S. companies spent the year before. Earlier last year, a special survey group had predicted much larger growth—around 11 percent. But growth in most industries was offset by cutbacks in the automotive business. Auto parts makers, the largest gift buyers, decreased spending by almost 9 percent. Car manufacturers, the third largest of the gift givers, spent 5.7 percent less. (See accompanying chart for expenditures by top 10 industries.)

About 26 percent of respondents in the current survey said they tried to reduce total expenditures during the past two years. Of those, 35 percent reduced the number of recipients, 26 percent

TOP 10 BUSINESS GIFT USERS (1986)



Circle No. 109 on Buyer Action Card ⟶

cut the amount spent for individual gifts, 38 percent used a combination of both approaches, and 1 percent discontinued their gift programs.

Who makes buying decision?

Top management	63%
Sales/marketing management	23%
Advertising/promotion management	10%
Product/merchandising management	4%

When are gifts ordered?

January	9%
February	7%
March	10%
April	7%
May	5%
June	9%
July	8%
August	17%
September	32%
October	36%
November	27%
December	26%

Sources of gifts

Direct from manufacturer	48%
Incentive representative	34%
Advertising specialty counselor	29%
Wholesaler or distributor	24%
Retail store	16%
Incentive firm, jobber, stamp company	15%
Mail-order firm	13%

How are gifts delivered?

Salesperson	56%
Executive	40%
Parcel delivery service	27%
Mail	24%
Messenger	5%

Where are gifts presented?

Recipient's place of business	64%
Recipient's home	29%
Donor's place of business	28%

However, attempts at controlling costs are only partially successful at best. Companies responding to the current survey will spend 3.2 percent more this year for their gifts. For those who reported expenditure estimates for 1986 and 1987, the average budget is about $13,000 per company. In their planning for the near future, 21 percent expect to pay higher prices for gifts this year, while 5 percent plan to spend less per gift.

Despite some efforts to hold back, unit cost per gift is rising. The average in this year's survey took a big jump, to $56.14 from $41.89 a year ago. The median, which had declined to $16.50 last year from $18 a year earlier, has climbed to $20. These results are based on prices cited by 459 of the 494 executives reporting in this year's survey.

Concentrating on major customers appears to be a leading means of reducing total gift numbers. That option, always the leading choice in the list of recipients, is favored by 65 percent of executives, up from 59 percent last year. The choice of "all or most customers" dipped to 22 percent from 24 percent.

Employees have not been subject to cutbacks: Half of all respondents give gifts to them, up from 42 percent last year. Other recipients include: sales prospects, 20 percent; stockholders, 3 percent, and others, 7 percent.

Overall, the number of recipients is up. This year's reports average 499 gifts, up from 340. However, this is a highly variable figure, subject to distortion by a handful of big givers. Two years ago, for example, the average was 698. A truer measure, the median, shows no change. It has remained at 100 for three years.

The shifting of emphasis away from Christmas giving points out closer ties with sales activity. This is perhaps most noticeable in the question of who presents a gift. Here, salespeople have had an expanding role since 1984.

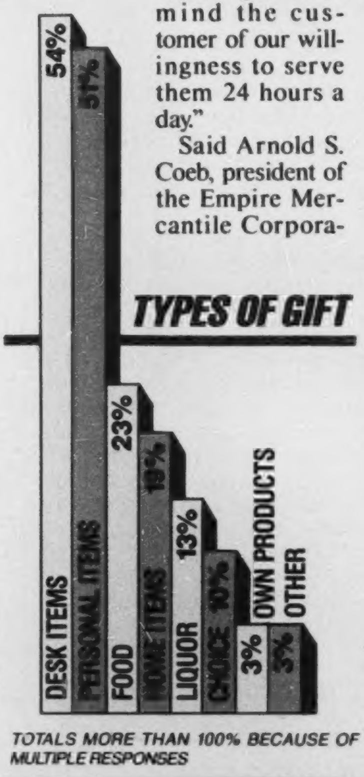
This year, salespeople delivered gifts for 56 percent of the executives in the survey, up from 49 percent last year. After dropping off for three years, executives as givers themselves are up to 40 percent.

In major gift programs, it is possible to lose the personal aspect of gift giving. A sure way to maintain the personal flavor is to personalize the gift item by imprinting the recipient's name or initials on it. That practice, which had declined for several years, is coming back. The percentage of survey respondents who say they personalize gifts has been rising since 1984 and currently rests at 28 percent.

Many more executives favor a different sort of imprint—their company name. This practice, which obscures the line between advertising specialty and business gift, is the choice of 66 percent, one point higher than a year ago.

Strong reminder value is what many gift givers look for, and desk accessories are among those items that fit the bill. Pen and pencil sets, digital clocks and knives are among the under-$25 gifts favored by K. George Bournazian, sales manager for the General Electric Company appliance service, North Bergen, N.J. "Gifts are given as low-value thanks for business received and are usually of a personal nature," Bournazian noted. "Our company logo and telephone numbers are imprinted on such gifts to remind the customer of our willingness to serve them 24 hours a day."

Said Arnold S. Coeb, president of the Empire Mercantile Corpora-



TYPES OF GIFT

TOTALS MORE THAN 100% BECAUSE OF MULTIPLE RESPONSES

TOP CHOICES IN SURVEY

Pen	14%	Watch	4%
Clock	12%	Candy	3%
Desk set	10%	Cheese	3%
Pen/pencil set	9%	Golf item	3%
Calculator	8%	Hat/cap	3%
Calendar	8%	Jacket	3%
Food basket	8%	Liquor	3%
Cup mug	5%	Portfolio/briefcase	3%
Diary	4%	Television	3%
Radio/tape player	4%	Wine	3%

tion, a New York wholesaler: "Business gifts are an accepted method of thanking the customer for business and friendship in the past year. They help us to stay in contact." Coeb chooses gifts like desk pads and frames ranging in price from $4 to $30, and they are usually imprinted.

An advertising imprint is not the only way to gain reminder value, according to William E. Neuenfeld, sales manager of the Zenith Video Tech Corporation, Franklin Park, Ill. Neuenfeld gives major customers desk planners and other items personalized with the recipient's name. This, he said, "reminds the customer you are thinking of them. The proper item can make contact easy."

Personal items like radios and umbrellas are used without imprint by Noel Prager, vice president of the Nassau Research Corporation, North Brunswick, N.J. Prager gives several hundred items in the $5 to $15 range to major customers. "It is a way to express our appreciation for their choosing us to do business with," he noted. "It's a gesture of good will, and since it's not of a very high value, there is basically no obligation intended or implied. Usually a gesture of good will causes the receiver to reciprocate with what he has to offer—an order."

More expensive gifts like crystal art, silver items and leather goods are given to major customers by Donald D. Moseley, executive vice president of Jasper Textiles Inc., Lumberton, N.C. Moseley selects "those customers who we find to be a pleasure and take professional pride in dealing with. Gifts are selected not by cost alone, but for their lasting appeal and reflection on us as a company that puts some thought beyond price into our gift selection."

One measure of success may be having the customer turn the tables on you, as E.J. McCabe, president of Design Impressions, Hudson, Ohio, reported. "After a couple of years, one of the customers started sending us a gift, writing thanks for your service,'" McCabe said. "He does it every year now."

Thanks, good will and friend-

CONTINUED ON PAGE 53

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Incentive Programs
From Inception Through Redemption

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BUSINESS GIFTS

CONTINUED FROM PAGE 36

ship are the keys in the giving of business gifts, despite any ancillary benefits that may accrue. At least that is still the view of most survey respondents.

Employee gifts like travel alarm clocks and golf shirts are favored by Don D. Hudson, assistant vice president of Duplex Products Inc., Sycamore, Ill. "In my division of our company, manufacturing, a small gift is given to each participant at our annual meeting as a memento of the occasion and a token of appreciation for their efforts in the past year," Hudson noted.

Thanks for a job well done, often given at vacation time, is the purpose of gifts of wristwatches, jackets, sweaters and similar personal items at Connecticut Driveshaft, Milford, Conn. "Everybody likes gifts, no matter how small," noted A.D. Bua, vice president of marketing. "It's another way of sharing the wealth. I must own 20 jackets, sweaters, etc., with company logos."

Bua is not average in that respect. For the most part, these givers are not significant receivers. Asked in the survey how many gifts they personally receive per year, they answered an average of 9.6—with a median of only five gifts.

Corporate anti-gift policies are a factor among large companies and government bodies, which shun gifts as potentially improper. Givers in this survey said they see such policies in an average of 31 percent of their customers.

Donald Borzak, president of the Service Web Offset Corporation, Chicago, sees no evidence of improper influence on either side in gift exchange. "We give gifts—relatively small—to say thank-you for business during the year," Borzak said. "I believe people accept them in that spirit, and so good will is generated. We never give large, inappropriate gifts."

Only 11 percent of the executives surveyed believe that gifts they received were ever intended to influence them improperly. Even fewer —7 percent—think their gifts to others have ever improperly influenced a buying decision. ■

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- Pushing pills to doctors
- Sales incentive survey
- Measuring sales skills and product knowledge

INCENTIVE MARKETING

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Continental Airlines launched a powerful consumer promotion to combat its perception problems.

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Evolution in frequent-buyer programs **8**
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Cover photo of Z100 deejay Scott Shannon by Skip Comer

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FACTS
UPDATE

The cost of sales incentive programs edged up a bit this year, partly due to a sharp rise in travel expenditures, but sales gains during campaigns held steady at 21 percent.

A sharp rise in incentive travel expenditures has upped the cost of motivating salespeople this year, although merchandise costs are holding fairly steady. The average sales incentive program now costs twelve percent of incremental sales, up a percentage point from a year ago.

Meanwhile, the average sales gain is holding at the same high level as last year—20.9 percent over previous non-promotion periods.

The rise in cost is not deterring marketers from sales incentive spending. **Incentive Marketing**'s latest survey of users finds them increasing outlays by about 8.5 percent this year. After accounting for the effects of inflation, that rate would be the best real expansion in a decade, except for 1984 when sales incentives exploded by almost 20 percent.

Last year, sales incentive expenditures reached $3.48 billion, up 6.7 percent over 1985. This represented a record-high 26.5 percent of all incentive spending.

Last year's sales incentive activity was better in many areas than its growth figure suggests. While the automotive and farm equipment industries held back the average, 10 industry groups wrote double-digit increases in motivational spending. The growth leaders were food products, up 31.4 percent; pharmaceuticals, up 21.8 percent; building materials, up 20.9 percent, and electric appliances, up 18.1 percent.

Travel was the more aggressive segment last year, with a rise in spending of 7.5 percent, while merchandise expenditures were up 6.5 percent. This year, users predict increased spending for both types: travel, up 8.4 percent, and merchandise, up 8.7 percent. Travel accounts for nearly 25 percent of sales incentive spending.

The average cost of a merchandise award is $340, up 10 percent from a year ago. But a small number of high tickets can distort the average. The median—a truer measure of typical cost—dropped to $100 from $125.

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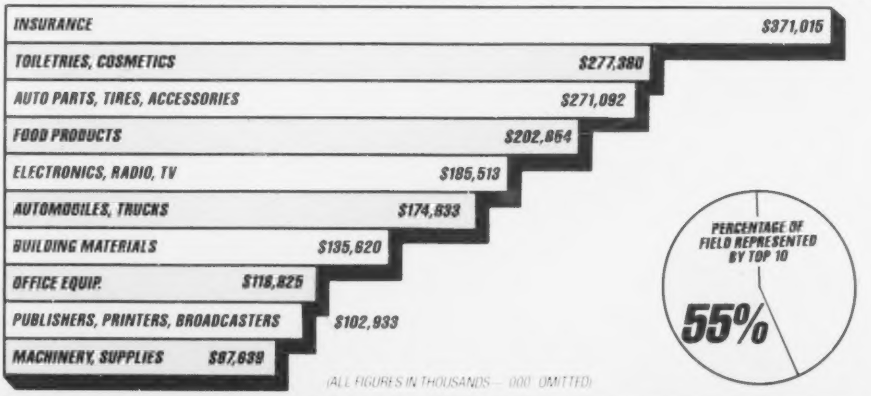
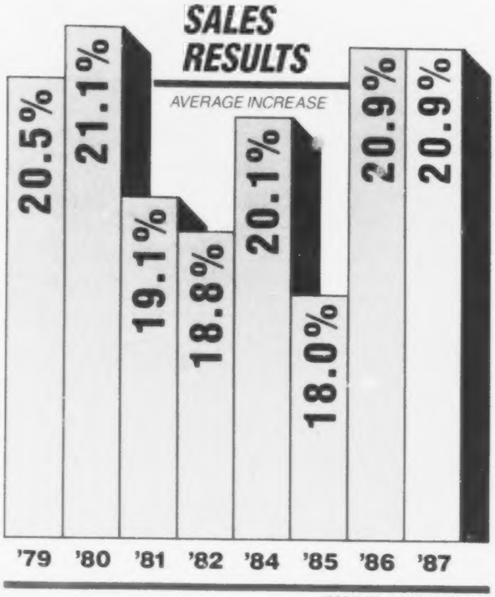
TOP SALES INCENTIVE USERS (1986)



(ALL FIGURES IN THOUSANDS — 000 OMITTED)

FACTS UPDATE



1983 DATA NOT AVAILABLE

Among travel users, however, all the numbers point upward. The average trip cost per winner (usually for two people) is now $2,095, up a startling 35 percent from last year. And the median has followed along, rising to $2,000 from $1,500. The cost per person averages $1,404, with a median of $1,000.

Company sales forces remain the top target group for sales incentive campaigns, named by 66 percent of respondents. Following are: manufacturers' representatives, 33 percent; wholesaler or jobber salespeople, 27 percent; retailer salespeople, 19 percent, and direct-selling personnel, 4 percent.

On average, 40 percent of those sales groups qualify for awards. Merchandise programs yield more winners, 49 percent, while 29 percent earn trips.

Marketers who use merchandise-only prize structures conduct a median of three promotions per year. Those who use travel only or both types of awards run one program per year. The duration of a travel campaign averages almost twice that of a merchandise promotion: 31 weeks versus 16 weeks.

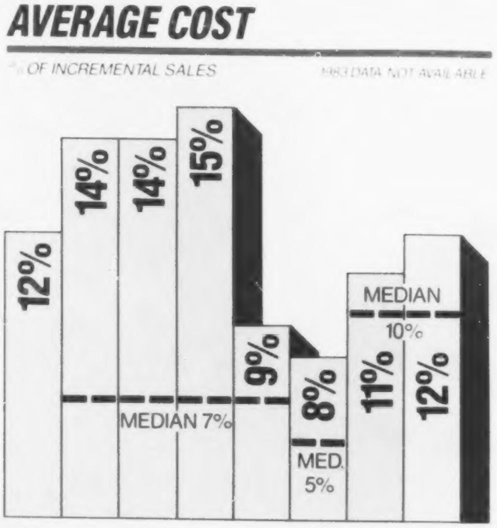
The average trip cost per winner (generally including a guest) soared 35 percent from last year—to $2,095. The median jumped to $2,000 from $1,500.

Partly because of the incidence of yearlong programs, January continues to be the leading month for launching sales incentive campaigns, listed by 39 percent in this survey. September comes second at 29 percent.

Planning time among this year's survey respondents averages 14 weeks for a merchandise program and 29 weeks for travel.

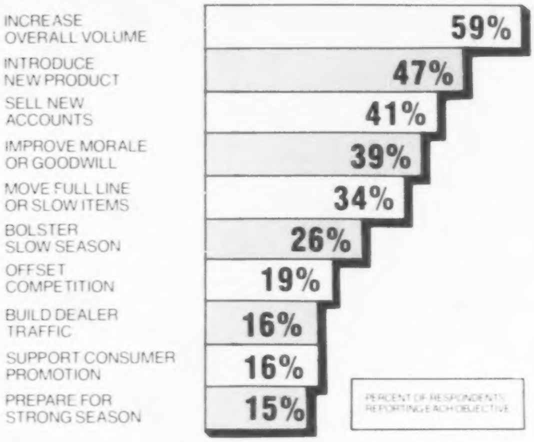
Most survey respondents—51 percent—apply incentives to selected items in a product line. Full-line promotion is the usual practice of 37 percent, while only 12 percent feature single products.

Fewer respondents cited a generalized objective—to "increase overall volume"—than ever before. Only 59 percent indicated that as a goal, down from 72 percent in 1986 and even higher figures in most previous years. Other reasons include: introducing new products, cited by 47 percent; selling new accounts, 41 percent, and



FACTS UPDATE

SALES INCENTIVE OBJECTIVES

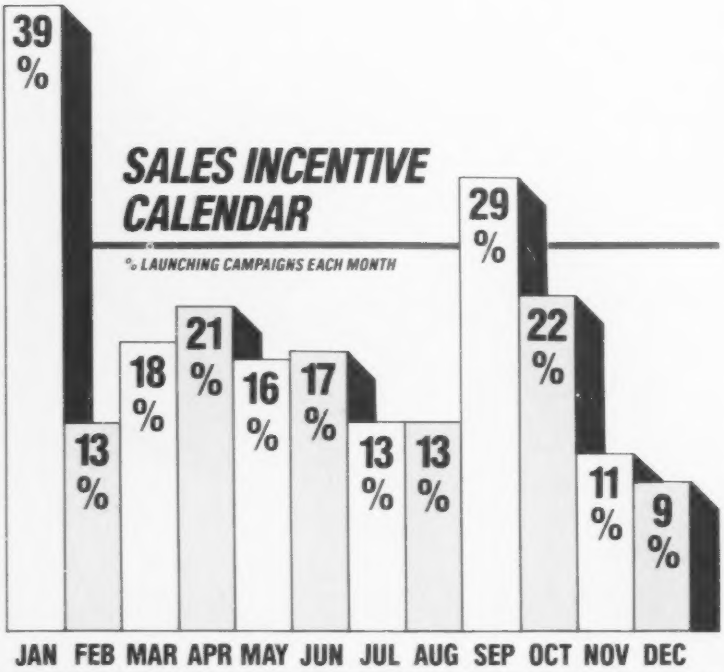


earning award credits before they reach 100 percent of quota. The average point at which participants rate some award is 79 percent of quota, and the maximum award level is reached at 96 percent.

Besides providing for the purchase of awards, incentive budgets usually include a fairly substantial allowance for promotional support: printing, postage, ad specialties or gifts, telephone tolls, meetings or anything to build interest in a campaign. This year's survey group is a bit more liberal in this respect, allowing a median of 19 percent of the total budget for promotion. Last year's survey found the median at 15 percent.

Keeping up interest during a campaign is often a greater challenge in a travel program when the time span is longer and the winners fewer. An Ohio distributor says the biggest difficulty he faces is "the continued motivation of sales personnel during an extended travel promotion." His programs range in duration from 36 to 52 weeks, and he averages about 15 percent winners. He spends only 5 percent of his total budget for promotion but has been achieving his goal of a 20-percent sales gain in most recent years.

An Iowa feed wholesaler has a solution to the ongoing motivation problem which also exists with merchandise programs: "The spouse must be informed of what is going on." He spends 15 percent of the budget on promotion, experiences an 80-percent winner rate and expects sales growth of 24


SALES INCENTIVE CALENDAR

% LAUNCHING CAMPAIGNS EACH MONTH

Planning time averages 14 weeks for a merchandise program and 29 weeks for travel.

percent thanks to his programs this year.

Suppliers present other problems for marketers planning sales incentive campaigns, from uninformed or uncooperative salespeople to volatile air fares and poor merchandise delivery.

The Hewlett Packard Company of Cupertino, Calif., with $7 billion in sales, has never done a full-scale sales incentive program, according to Jerry Gross. "Part (of the reason) is due to the incentive industry's failure to adequately sell its wares. . . . When incentive people call on the company and find we're not an easy or automatic sale, they quickly disappear."

The biggest problem for R. Braswell, director of administration and strategic planning in the automotive computer systems division of Reynolds & Reynolds, Dayton, Ohio, is "finding local, reliable agencies that can properly interpret and understand the way we want our incentive plan to work...not how they say it has to be done."

Marketers evaluate their incentive programs in a number of ways. Most—69 percent—choose the simplest method of counting total units or dollars sold. Other measures include: percentage of people attaining goals, 44 percent; profit on incremental sales, 28 percent; increased market share, 23 percent, and branch or district performance, 13 percent. Many, of course, use more than one measure. ■

Types of award

Single premium or group of related items	46%
Individual travel award	38%
Merchandise selection from incentive house	36%
Group travel award	28%
Own merchandise	20%

Merchandise suppliers

Wholesaler or premium jobber	41%
Direct from manufacturer	38%
Manufacturers' representative	24%
Full-service incentive house	23%

Travel suppliers

Make own arrangements	35%
Full-service incentive house	21%
Travel wholesaler	17%
Travel carrier, hotel	12%

Final buying decision

President, CEO, executive vice president, general manager	55%
Director of sales or marketing	35%
Director of advertising or sales promotion	9%
Product manager or merchandising manager	4%

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SEPTEMBER 1987

Incentive Marketing

A BILL PUBLICATION

INCENTIVE TRAVEL

C1200-4A
9/28/87

IDEAS for MARKETERS

What to look for at the Chicago motivation shows

- **Mall promotions: Getting cozy with consumers**
- **Can you trust your suppliers?**
- **Incentive travel survey**

INCENTIVE MARKETING

SEPTEMBER 1987 83rd Year, Vol. 161, Number 9

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Cover cartoon by Richard Giotta

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FACTS
UPDATE

Incentive Travel
SURVEY

Incentive travel campaigns generate sales gains averaging 20.8 percent and remain profitable despite increasing costs.

Incentive travel continues to draw rave reviews from marketers, who report sales gains averaging 20.8 percent when they undertake a travel campaign. And even though trip costs rose this year at a double-digit clip, marketers say the cost as a percent of incremental sales actually dropped. Most intriguing in the current survey of incentive travel users, though, are the problems marketers face when using travel awards to motivate their salespeople, distributors and employees.

Although survey respondents seem convinced about the value of incentive travel, top management presents a problem. A Midwestern chemical executive notes that he has trouble "convincing executives that travel means a lot more to salespeople on the firing line than executives think it does."

A California distributor running fairly big trips for salespeople and retailers has to sell quality—"convincing the president and executive vice president of the value of a top-quality incentive trip as opposed to a cheap program."

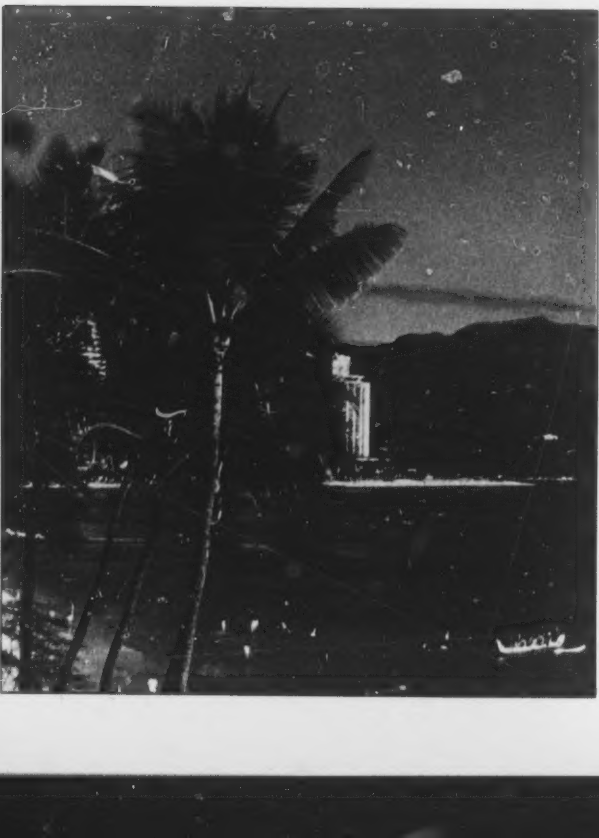
A Western heating and air conditioning supplier with a substantial travel budget says, "We're still in the dark ages of sales motivation because our general manager looks upon incentives not as an inducement to buy...but more of a 'thank you' for your purchases. Proper rules structuring would do a lot to enhance sales performance."

Scott Trentadue, vice president of the Goetz Broadcasting Corporation, Fort Atkinson, Wis., adds that "the biggest problem is convincing the chief executive officer that there will be a sales increase that will lead to a larger bottom line."

REINDEER SAFARI BY FINNISH TOURIST BOARD

Many who conduct incentive travel programs end up with some nagging questions: What is truly incremental business? What would happen without the promotion? What factors outside the program influenced the results?

And, perhaps, the longer the promotion, the more room for doubt. Jim Agnew, second vice president of the American Mutual



DIAMOND HEAD IN HAWAII

Life Insurance Company, Des Moines, asks: "What impact did the incentive program have on increased sales—or what would sales have been without the program—keeping in mind that we have a two-year qualifying period for our major meeting?"

Another variable is suggested by a New England floor covering wholesaler: "Because we are consistently offering special promotions with primary emphasis on price, we have never been able to pinpoint the exact influence the trip has on our dealers." For this reason, he does not try to attribute sales increments to the incentive program specifically. "We look at total sales," he says. Other companies take a similar approach.

Despite these problems, marketers report impressive results when asked how much sales gained during the travel incentive campaign against sales in the same period the year before. This year's reported sales gain of 20.8 percent was up three percentage points from 1986.

And, though the cost of trips rose by a staggering 19 percent to a new high of $1,638 per person, the improved sales results brought the cost per incremental sales gain down to 10.7 percent from 11.5 percent last year.

Increased costs concern a number of this year's respondents. While all the numbers add up to successful promotion, there is evidence that escalating price tags may be causing some marketers to cut back on travel usage. With better results than last year's, and in an economic climate not significantly better or worse, the rate of expansion in incentive travel spending seems to be slowing. In 1986, incentive travel spending rose

POPULAR DESTINATIONS

DOMESTIC
395 Responses

- 85-HAWAII
  - 8-Maui
  - 2-Honolulu
- 78-FLORIDA
  - 16-Orlando
    - 6-Fort Lauderdale
    - 3-Marco Island
    - 3-Miami
    - 2-Boca Raton
    - 2-Key West
    - 2-Tampa
    - 2-West Palm Beach
- 60-CALIFORNIA
  - 11-San Diego
  - 10-San Francisco
  - 9-Palm Springs
  - 6-Tahoe
  - 4-Los Angeles
- 24-NEVADA
  - 20-Las Vegas
  - 3-Reno
- 19-ARIZONA
  - 9-Phoenix
  - 4-Scottsdale
  - 4-Tucson
- 14-NEW YORK
- 14-TEXAS
  - 7-Dallas
  - 3-San Antonio
- 13-MISSOURI
  - 8-Kansas City
  - 4-Lake of the Ozarks
  - 1-St. Louis
- 13-PUERTO RICO
  - 2-San Juan
- 7-SOUTH CAROLINA
  - 3-Hilton Head
  - 3-Myrtle Beach
  - 1-Kiawah Island
- 7-TENNESSEE
  - 6-Nashville
- 6-ILLINOIS
  - 6-Chicago
- 6-MASSACHUSETTS
  - 5-Boston
  - 1-Cape Cod
- 6-WEST VIRGINIA
  - 4-White Sulphur Springs
- 5-GEORGIA
  - 5-Atlanta
- 5-LOUISIANA
  - 5-New Orleans
- 4-COLORADO
  - 3-Vail
  - 1-Denver
- 4-PENNSYLVANIA
- 4-VIRGIN ISLANDS
  - 4-St. Thomas
- 4-VIRGINIA
  - 2-Hot Springs
- 2-KENTUCKY
- 2-NEW JERSEY
  - 2-Atlantic City
- 2-VERMONT
- 2-WASHINGTON, D.C.
- 2-WISCONSIN
  - 2-Milwaukee
- 1-ARKANSAS
- 1-INDIANA
  - 1-Indianapolis
- 1-KANSAS
- 1-MINNESOTA
  - 1-Minneapolis
- 1-OKLAHOMA
- 1-OREGON
  - 1-Sun River
- 1-UTAH
  - 1-Sun Valley

FOREIGN
276 Responses

160-WESTERN HEMISPHERE

- 50-MEXICO
  - 12-Acapulco
    - 6-Puerto Vallarta
    - 4-Cancun
    - 2-Mexico City
- 28-BAHAMAS
  - 10-Nassau
    - 2-Freeport
    - 2-Paradise Island
- 25-CARIBBEAN
  - 7-Jamaica
  - 4-Aruba
  - 3-Dominican Republic
  - 2-Barbados
  - 2-St. Maarten
  - 1-St. Lucia
- 14-CANADA
  - 4-Montreal
  - 3-Vancouver
- 9-BERMUDA
- 4-SOUTH AMERICA
  - 3-Brazil
  - 1-Columbia
- 1-CENTRAL AMERICA
  - 1-Costa Rica

79-EUROPE

- 23-ENGLAND
  - 17-London
- 9-SPAIN
- 9-SWITZERLAND
- 8-ITALY
  - 2-Rome
  - 2-Venice
- 7-FRANCE
  - 5-Paris
- 7-GERMANY
- 2-DENMARK
- 2-NETHERLANDS
- 2-SOVIET UNION
- 1-AUSTRIA
  - 1-Salzburg
- 1-FINLAND
- 1-GREECE
- 1-IRELAND
- 1-MONACO
  - 1-Monte Carlo
- 1-NORWAY
  - 1-Oslo
- 1-PORTUGAL
- 1-SCANDINAVIA
- 1-SCOTLAND
  - 1-Edinburgh
- 1-SWEDEN

29-CRUISES

- 11-Caribbean
- 3-Mexico

29-FAR EAST

- 13-JAPAN
  - 4-Tokyo
- 10-HONG KONG
- 2-SINGAPORE
- 1-CHINA
- 1-KOREA
- 1-MALAYSIA
- 1-THAILAND

8-SOUTH PACIFIC

- 5-AUSTRALIA
- 2-TAHITI
- 1-FIJI

Most users evaluate results based on total units or dollars sold.

6.5 percent over that of 1985. Although final figures won't be available until December, early results point to an increase of only about 4.1 percent this year.

Steven Kendall, marketing manager of the Dukane Corporation, St. Charles, Ill., says, "Travel costs are usually so high that small accounts effectively are left out, because their incremental sales can't justify a travel award."

And C. H. Hutchinson, president of the LRP Electronics Corporation, Lima, Ohio, notes that, "Increasing cost over last year has us looking at merchandise promotions, thus cutting down on trips." From a budget that was top heavy with travel in 1986, he has shifted the emphasis strongly toward merchandise in this year's programming, but he is still conducting one domestic trip for about 100 people over three nights.

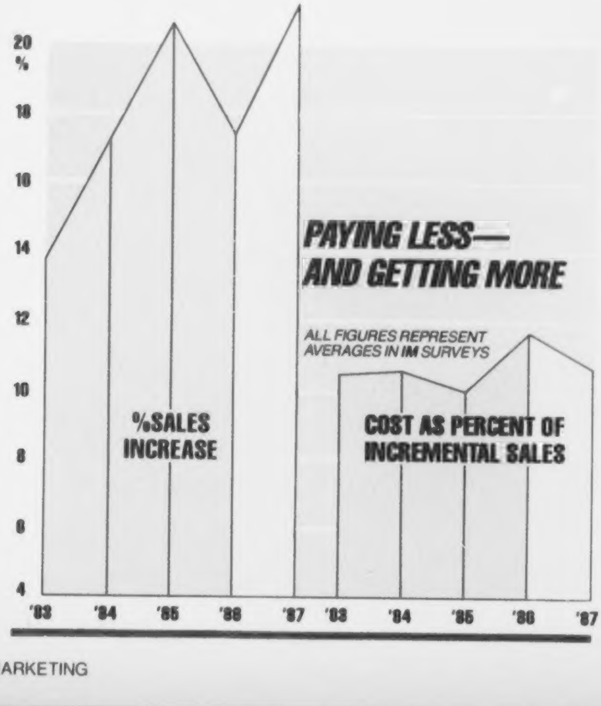
One wholesaler notes the problem of "receiving accurate information concerning cost when planning one and a half years in advance."

Not only is the average cost per person way up—more than $250 over 1986—but the median rose as well. After years of holding steady at $1,200, the figure leaped to $1,400. Overall budgets did not rise by a corresponding rate because fewer people qualified for awards, with a 34-percent qualification rate reported this year against 36 percent in 1986. The average number of travelers per company in this study is 142, down from 157 a year ago.

Respondents also cite problems with incentive travel suppliers. It appears that a full-service company offering promotion and trip fulfillment would be the best answer for many companies, but some disagree. "Most incentive travel companies don't really understand the needs of companies using their services," says Ronald Braswell, director of sales administration for the Reynolds & Reynolds Company, Dayton, Ohio. "Instead, they want to shove their own ideas and standards on you."

A New England machinery firm with a six-figure budget says that full-service companies "are too expensive for our limited programs. Those who will service our needs do not provide adequate promotion tools."

An executive of a major office-equipment company has problems with "the ability of hotels to adjust



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This year's survey finds a surprising increase in the amount spent per traveler—up 19% to $1,638.

to changing conditions and/or their ability to handle pre-conference logistics and registration. Additionally, conference and hotel sites often fail to anticipate peak workloads—arrival and departure periods for large groups."

Despite planning with a local travel agent, Paul N. Gale, executive vice president of Western Water Management Inc., North Kansas City, Mo., is plagued by problems with "follow-through on arranged plans—events, meals, tours, car rentals, etc.—specifically arranged in advance, not available on arrival even though fully confirmed."

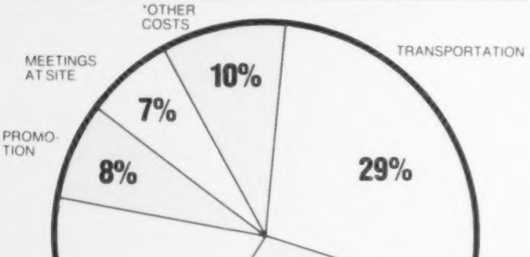
Survey respondents provide these planning insights:

Who is the target? Company-employed salespeople are the most numerous of incentive travelers, targeted by 75 percent of survey respondents. Following are: retail dealers, named by 36 percent; distributors, 25 percent; dealer sales personnel, 22 percent; independent sales reps, 17 percent, and non-sales personnel, distributor salespeople and direct-selling people, each indicated by 15 percent. The total exceeds 100 percent, because the users direct their travel campaigns at an average of more than two categories each.

In dollars, 51 percent of total expenditures involve company salespeople and employees, with the remainder spent on dealers and distributors.

What is the purpose? Of 10 objectives listed in the survey, "increase overall volume" is the one most frequently indicated. This

WHERE THE TRAVEL BUDGET GOES



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M. A. RIORDAN

Although buyers are convinced that incentive travel works, they have difficulty convincing top execs.

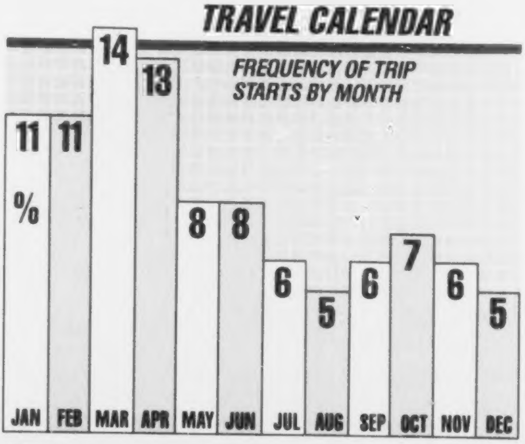
year, 71 percent of travel users picked increased volume as their prime objective, against 81 percent a year ago.

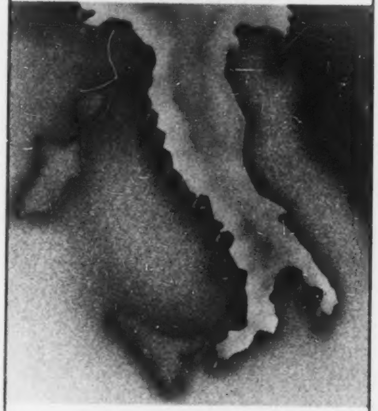
Improving morale or goodwill runs second with 47 percent. Another 37 percent want to sell new accounts. Other objectives include: stimulating product introductions, 26 percent; helping to move a full line or slow items, 24 percent; offsetting competition, 22 percent; bolstering a slow season, 18 percent; preparing for a strong season, 13 percent; building dealer traffic, 10 percent, and supporting consumer promotion, 10 percent.

Planning, rules, budgets. Setting objectives and rules is difficult, and that is reflected in extensive planning time. In this year's survey, planning begins an average of 44 weeks before the trip departure, five weeks longer than last year. The qualifying period has grown to 31 weeks from 28 weeks last year.

The ideal rule structure is open-ended, permitting all who reach stated goals to earn the trip. That is according to 76 percent of users in this survey, up from 63 percent last year. Sixty-one percent of the executives base qualifying levels on sales forecasts, while some 30 percent determine how much the trip will cost and set their quotas accordingly. Nine percent use other methods, presumably a combination of the two.

The budget must be reasonably firm: 62 percent set a special budget for the campaign in advance, while only 16 percent await the campaign's outcome before determining the budget. Another 14

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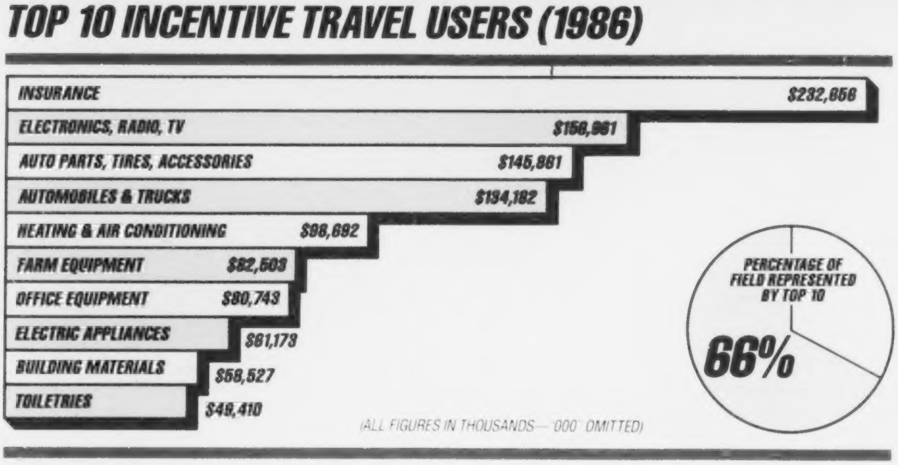


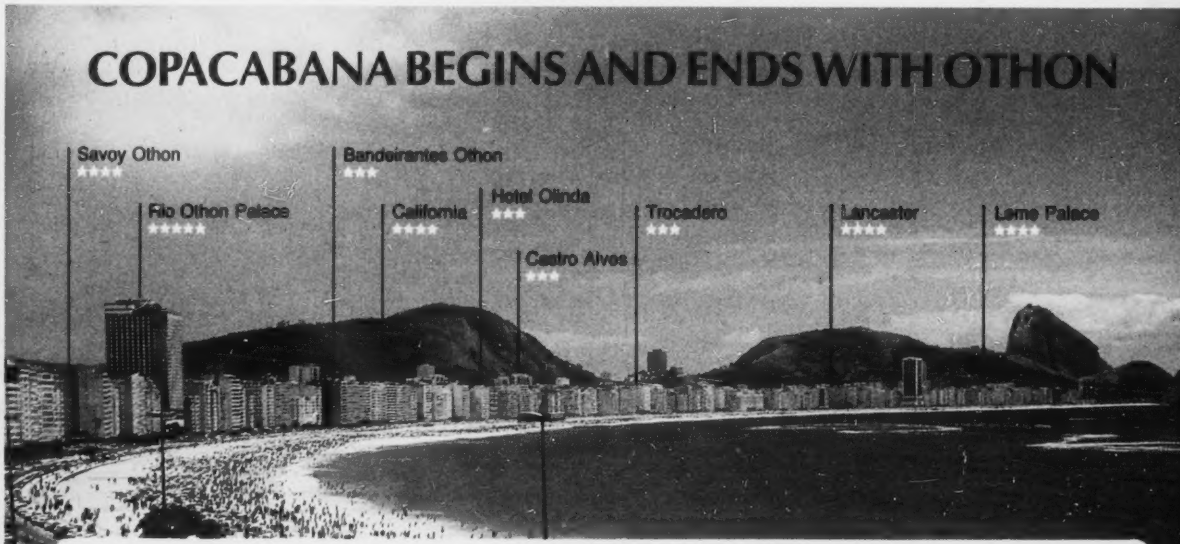
percent use regularly allocated promotion funds, and 9 percent earmark a percentage of anticipated added sales.

Some respondents have an additional variable to consider in the budgeting process—buy-ins. Thirty percent of respondents let participants pay cash for a portion of the trip cost that they do not earn. Among those who provide the option, an average of 26 percent of participants elect to buy-in.

Who makes decisions? The climax of the planning process is the final decision, and that remains a top-management prerogative. Chief executive officers, presidents, vice presidents and general managers make the final decision in 69 percent of the surveyed companies, five points higher than in last year's survey. Sales or marketing directors were named by 23 percent of respondents, followed by product or merchandising managers (4 percent), meeting planners (3 percent) and advertising or promotion directors (2 percent).

As for actual trip planning, 42 percent of respondents use a local travel agent; 23 percent rely on in-house personnel; 22 percent use a full-service incentive company, and the remaining 13 percent work directly with airlines, hotels and ground operators.

CONTINUED ON PAGE 94



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TAHITI TOURIST PROMOTION BOARD

Overseas destinations are back after a year hurt by terrorism fears.

Evaluation. How do executives measure sales results? Total units/dollars sold represents the leading criterion, chosen by 58 percent. A fairly strong second is the percentage of eligible people reaching goal or quota, favored by 41 percent. Running farther behind are three other measurements: increase in market share, 18 percent; profit on incremental sales, 17 percent, and branch or district performance, 15 percent.

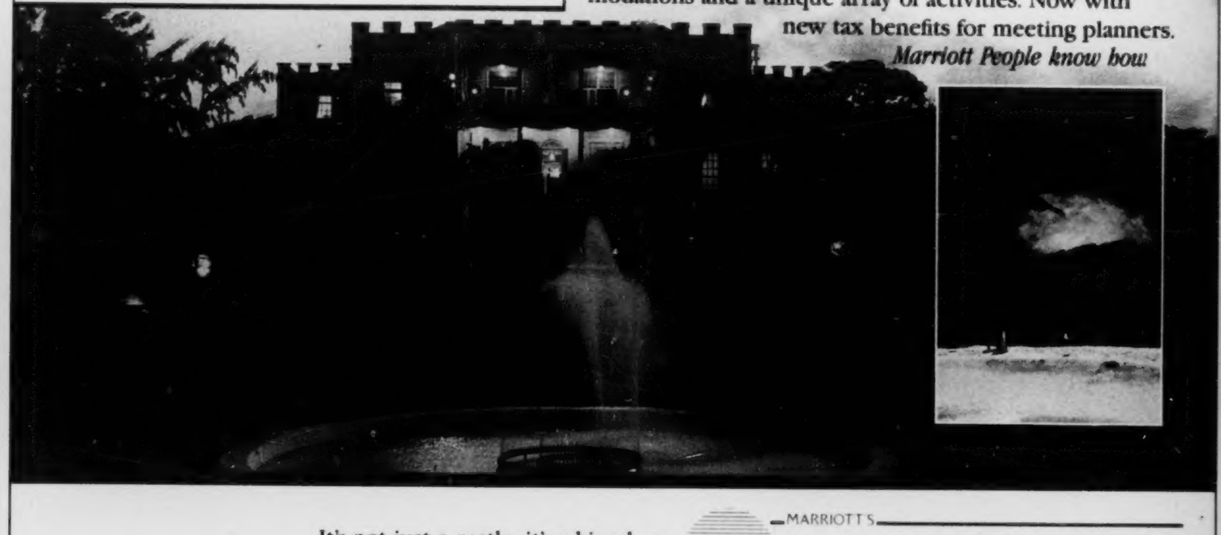
Following are some trends in incentive travel usage:

In 1986, travel users spent an estimated $1.67 billion. The sales incentive portion—51 percent—grew at a 7.5-percent rate over the prior year, while dealer campaigns grew only 5.6 percent. Preliminary estimates for 1987 show incentive travel for salespeople running ahead by 4.4 percent and for dealers, up 3.8 percent.

Group trips are favored by 62 percent, with the remainder giving individual travel awards. Whether in groups or individually, the travelers usually come in pairs, with spouses included in the plans of 92 percent of respondents. The average trip lasts over five nights, the same as in last year's survey.

Business meetings are included by 62 percent of the executives who take groups—an increase from 53 percent who planned meetings last year. The average meeting time on a trip rose to 10 hours, from 8.7 hours among the previous survey group.

Companies that favor foreign destinations run a median of one campaign a year, while firms that prefer domestic sites have a median of two each year. About 50 percent of respondents said they use foreign trips and 86 percent indicated domestic sites, suggesting that about 36 percent use both. In dollars, however, expenditures for domestic programs represent about 72 percent of the total. This is probably because of the greater number of domestic movements involving larger numbers of people. ■



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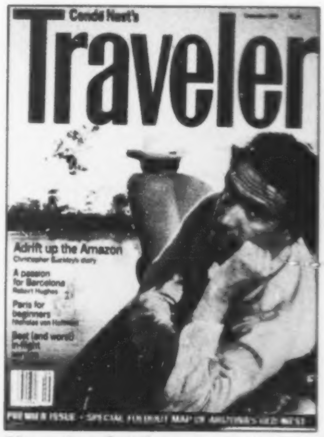
INCENTIVE MARKETING

October 1987 83rd Year, Vol. 161, Number 10



Magazines battle an imposing new rival. See page 8.

The Federal government is hard at work motivating its employees. See page 34.

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EMPLOYEE MOTIVATION

COMSTOCK

Public-Sector Workers Get a PUSH

Productivity improvement efforts in the Federal government aim to overhaul the system and wind up with more satisfied, efficient employees.

By Joanne Levine

Bureaucracy rarely has been associated with productivity or efficiency. Employees of the sprawling Federal government, in particular, are often viewed as ineffectual workers. And, in recent years, government officials have realized that these stereotypes are based in fact.

Initial efforts to motivate the public sector began in 1954, when Congress passed the Incentive Awards Act. This law authorized agencies within the Federal government to pay out incentive awards. The Federal Incentive Awards Program of 1954—which resulted from the law—was designed to improve government operations through motivation and reward. However, government-wide productivity efforts since then have been checkered.

Improving productivity in America's industrial and government communities is a pet issue of President Reagan. In February 1986, the President's Productivity Improvement Program was created by executive order. It formally calls for improvement in government workers' performance. The goals: to save money and see measurable improvements in service.

Specifically, the mandate requests that all departments and the agencies within them adopt at least four of five "initiatives" in annual productivity plans: top-level support; specific productivity improvement goals; measures and procedures to determine the effects of new methods; quantification of current output based upon specified levels of resource allocation, and specific provisions for employee participation including the use of incentives.

The mandate requires the Federal government to increase its productivity 20 percent by 1992. According to the Bureau of Labor Statistics, government productivity improves by 1.5 percent annually without any outside efforts. Some government officials feel 20 percent is insignificant because it amounts to only 3 percent a year. But, skeptics and supporters alike agree that the mandate has set the tone for change.

Preliminary results show that

Merchandise and travel are not used because the Incentive Awards Act of 1954—which authorized agencies within the Federal government to pay out incentive awards—makes it illegal.

629,366 employees from a universe of 2.1 million Federal workers were recognized for contributions beyond job requirements in 1986. Measurable results from their achievements totaled more than $1.2 billion, and awards exceeded $321 million, according to the Office of Personnel Management.

The mechanics of the productivity effort are handled by three departments: the General Accounting Office, which acts as watchdog, the Office of Management and Budget (OMB) and the Office of Personnel Management.

The OMB helped design the program and administers it. Each agency must submit its specific goals and measures annually to the OMB.

The Office of Personnel Management is responsible for setting policy and guidance for the use of incentives and training in productivity improvement, job retraining and placement. The office communicates the basic tenets of the Productivity Improvement Program to employees, said Dick Brengel, chief of the incentive awards division. Each new employee receives training and is informed of the awards program. The Office of Personnel Management also issues a newsletter, "Incentive Awards Notes," which apprises workers of the latest goings-on.

But, each department is ultimately responsible for communicating its employee motivation efforts, said Brengel. "One of the biggest tasks for us (the office) is to simplify procedures and processes to allow managers and agencies to work optimally," said personnel management specialist Fidelma Donahue.

The Office of Personnel Management issues an annual Honor Awards Planning Guide to assist supervisors and managers in identifying appropriate awards. For each award, the purpose, eligibility, criteria, deadlines for nominations and ceremony dates are listed.

"The majority of government workers perform tasks that are measurable," said Brian Usilaner, associate director for the General Accounting Office. "For those jobs, input and output are the forms of measure in motivational programs."

Thirty-five percent of Federal employees are white-collar workers. "With the white-collar worker, there is a misconception that you can't capture and quantify what he does," Usilaner said. "That's not true. It's just a different family of measures." Nominal Group Techniques—brainstorming sessions among workers and managers to come up with measures—are often used. "The theory behind NGT is that the person who knows a job best is the employee doing it," he said.

Appropriate measures are not all that is needed to promote employee motivation efforts. "The inherent structure of the Federal government can thwart some of the best intentions," said Mike Dulworth, formerly an evaluator for the General Accounting Office.

Government jobs are based on a rigid hierarchal system. "You start at a certain grade," said Pat Ritchey, program coordinator for quality circles in the Defense Productivity Program Office in Falls Church, Va. "You must stay there for a minimum of a year. So even if an employee is outstanding, you cannot promote them."

The government's traditional pay system is based on length of service, said Dulworth. "There is a push to dent the bureaucracy and implement pay increases for performance," he noted. "But it has not yet happened all around."

According to Dulworth, the other barriers to motivating government workers are lack of employee involvement, an insufficient link between performance and rewards, and the budget process.

Studies show a lack of employee involvement when it comes to influencing individual jobs, said Dulworth. To attack the problem, the government began using quality circles—a system in which employees make suggestions on job improvements to management. "We have data to support that their

SUGGESTION SYSTEMS

RESULTS OF FISCAL YEAR 1986 ARE IN YELLOW.
RESULTS OF FISCAL YEAR 1985 ARE IN ORANGE.

IDEAS SUBMITTED BY EMPLOYEES AND ADOPTED BY MANAGEMENT

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	$209,848,974		**$4,429**
Amount Paid in Awards	**$8,501,465**	**Average Award**	**$222**
	$7,669,666		**$286**
Number Submitted	**181,877**	**Participation Rate Per 100 Employees**	**6.7**
	195,845		**7.3**
Number Adopted	**44,758**	**Adoption Rate of those processed**	**24.3**
	47,385		**24.9**

***NOTE:** In 1986, a greater number of Federal employees earned monetary rather than honorary awards. Thus, the amount paid in awards increased even though the number adopted and the average award decreased.*

effectiveness has eroded," said Usilaner. Employees would get excited at the start, he said, but management frequently would not follow through on implementation.

Many productivity efforts on the part of workers have gone unrecognized, said Dulworth, thanks to reward systems that were not in place or were insufficient. "Rewards must be equitable and timely," he said. "Traditionally, this has not happened."

To try to arrest the problem, some government agencies have followed the example of the private sector and implemented gain sharing. This method measures gains in employee productivity and shares the savings between the employee and organization on a timely basis.

The budget process is a major hindrance. Agencies must gain Congressional approval to keep any savings at the end of a fiscal year. Otherwise all remaining dollars go back into the budget. "It is a deterrent for agency managers to save money," said Dulworth. "If an agency does not spend its allocated money by the end of the fiscal year, the appropriation committee takes back the money and puts it into the treasury."

Usilaner of the General Accounting Office added, "Any time a bonus or incentive is paid out, the Hill questions it. We live in a fish bowl; we are under constant scrutiny. The public gets upset when you give out bonuses."

The OMB has proposed "shared savings." Each agency that could verify savings would be allowed to carry them over to the next year. "They could apportion money...to employees' bonuses," said Usilaner.

"But like any other changes in policy, Congress must pass it," said Donahue of the Office of Personnel Management, and that can take anywhere from one to 10 years.

Other factors also affect productivity campaigns. Initially, there might have been resistance to the productivity push from employees, said Marty Russell, vice president of national affairs for the Dallas-based American Productivity Center. "In the past, government employees interpreted productivity as a way to cut heads. Workers feared they might lose their jobs." And with good reason: Ritchey of the Defense Productivity Program Office cited an instance when maintenance program workers worked themselves out of jobs.

Also, many government employees are union members, said Russell. "They (unions) can hinder productivity efforts unless you involve them from the onset," he noted.

Despite all these barriers, employee motivation campaigns are widespread throughout government agencies. Aside from quality circles and gain-sharing programs, techniques include training and education; special act, invention, recognition and service award programs; suggestion systems, and bonuses.

Cash is the award. Noncash awards such as merchandise and travel are not used. "Simply, the Incentive Awards Act makes it illegal," said Brengel of the Office of Personnel Management. "Moreover, the public and Congress would not accept our handing out $500 TV sets." Unfortunately, the General Accounting Office's Usilaner said, "existing policies prohibiting the use of administrative time off and merchandise limit flexibility in designing and implementing programs."

Still, the campaigns are as diverse as the departments—from the Central Intelligence Agency to the Agriculture Department. Each agency has incentive award administrators, Brengel said, and supervisors determine measurement criteria.

Experts hail the Agriculture Department for having one of the more successful and innovative productivity programs in government. Within the department, there are 20 major agencies and 115,000 employees. Responsibilities range from issuing food stamps to managing national parks. The majority of the department's funding goes toward social services, although most people work on the natural resource side.

"We are unique because 90 percent of our work force is in the field; we have people in each of the 3,000 U.S. counties," said Bob Halstead, assistant to the Assistant Secretary of Agriculture. "Our group of agencies has a lot of autonomy."

For the Productivity Improvement Program, the Agriculture Department decided to ask 1,000

PRODUCTIVITY PRACTICES

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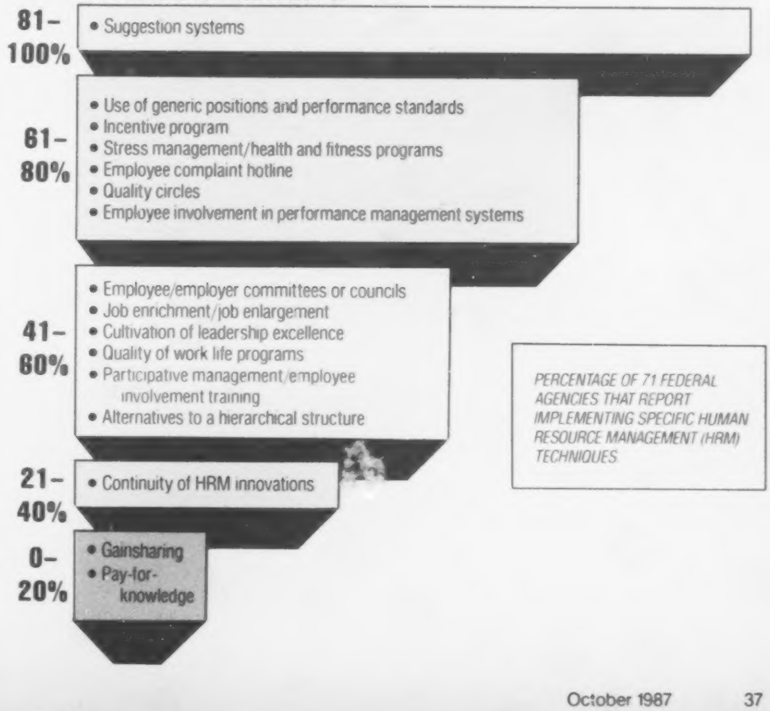

Nominal Group Techniques—brainstorming sessions among workers and managers—are used to motivate white-collar employees.

employees—from secretaries to senior managers—what could be done better. Ten sessions with 100 participants each were held. "We discovered that the majority of people liked their jobs, but the communication network with employees had disintegrated," said Halstead. "Support systems—such as performance appraisals and suggestion systems—had broken down."

From the initial pool of 1,000 people, 18 were selected to go to headquarters and sort through all the suggestions generated in the 10 workshops. After a week, these 18 people presented 10 recommendations—from introducing quality circles with Federal officials to offering better training programs—to the Secretary and his assistants. "The Secretary there and then assigned all 10 recommendations to be implemented," said Halstead.

One of the programs that had not functioned properly was the suggestion system. "There was a lack of staff and time delays," Halstead said. "In general, there was too much red tape." The remedy was an annual "idea week" during which all employees can dial a toll-free number from 8 A.M. to 8 P.M., write in or use electronic mail. The Agriculture Department guarantees a response within 30 days, "even if we don't implement the idea," said Halstead.

The old suggestion program yielded 2,800 suggestions in a year. During Idea Week, more than 3,000 recommendations were received in five days, according to Halstead. Any suggestion that results in real savings earns up to $1,000.

The Internal Revenue Service was foundering in several areas—morale, customer service and productivity—and so implemented a number of campaigns to remedy the problems.

The entire department committed itself to quality service through the "Quality Strategic Initiatives" program. Quality Improvement Teams were set up across the country. In these, employees gather data and identify problems, while managers do the problem solving.

"The concept is that, through improved quality, productivity will benefit," said Carolyn Wallace, planning officer for the planning division of the IRS. "It's founded on the basis that you need management's commitment, not just a change in the culture."

Managers keep for their departments 50 percent of any surpluses resulting from cost-saving actions that they initiated. Historically, surpluses were taken away.

Training is part of the program. In January 1987, 10,000 managers were involved in quality leadership training, while other employees participated in a three-day workshop to identify problems and foster team spirit, said Wallace.

Another step toward improvement was the automation of tax

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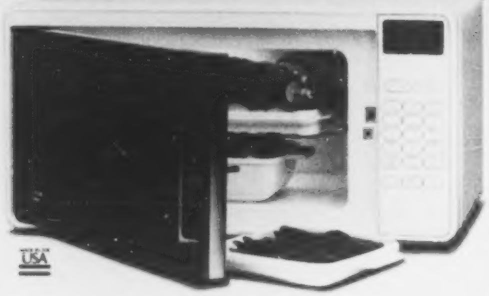

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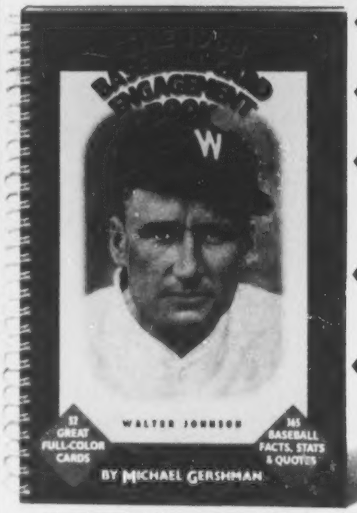

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enforcement and taxpayer service employees, done only a few years ago. "That's where we fit in," said Dan Buersmeyer, chief of the human resources technology staff for the IRS. "While developing automation, if the human parts are not taken into consideration, turnover skyrockets, and ultimately the cost of training increases.

"We hired industrial psychologists to find out what employees liked and didn't like about their jobs, what they would do differently and how they felt about computers. We enlisted end-users to help design the system," said Buersmeyer.

Also, management training is being revised to foster a participative rather than an authoritarian approach.

Quality of work life has been an ongoing problem for the IRS, and it has been reflected in the high turnover rate for keypunch operators. To address this issue, the IRS established the Cooperative Effort Incentive Pay System, which measures the quantity and quality of inputter keystrokes in all 10 service centers. A target is selected for each center, based on historical data, and quotas are established so that about 50 percent of employees will earn incentive pay. The measurement standards are adjusted every two to four weeks.

Earnings can go as high as hundreds of dollars per month, according to Wallace. Although the IRS would not quantify the savings, it claims a better quality product, retention of data transcribers and success with recruitment.

The Defense Productivity Program Office is responsible for implementing cohesive productivity plans for its agency managers to carry out. Quality circles, suggestion systems, gain sharing and recognition programs are all under the umbrella of improving the quality of work life.

The Defense Department has more than 2,000 quality circles in place. Although the department reports that results are difficult to quantify, it claims greater employee involvement and improved communications between work

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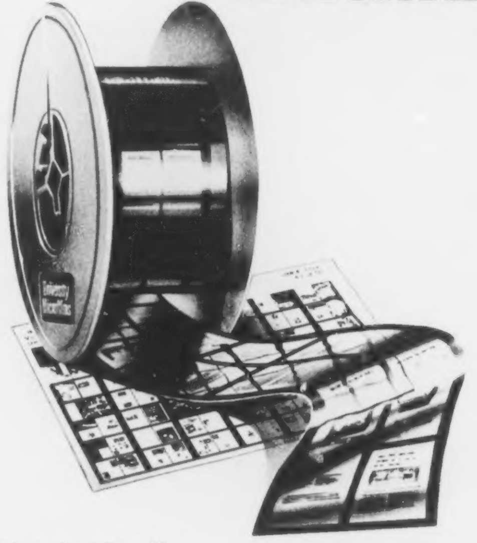

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Companies spend millions on freebies for show visitors, and too often they are wasting promotion dollars.

By Regina McGee

Trade Show Giveaways

Exhibitors at the National Association of Home Builders show in Dallas were giving away everything—including the kitchen sink. Strolling the aisles of the 360,000-square-foot exposition, visitors could reap a booty of key chains, posters, pens, pocket screwdrivers and room thermometers, as well as some more unusual promotional items like rubber bricks, light bulbs and sink-shaped bottle openers.

"At least I've got my Christmas shopping for the office out of the way," sighed one tired but satisfied show visitor, toting two bulging plastic bags.

Unusual for its size, the NAHB show is typical of many expositions in at least one regard: Too often an exhibitor's giveaway ends up in the hands of a "shopper," not a buyer or even a user of a company's product or service. Furthermore, many trade show giveaways—regardless of who gets them—don't do anything to enhance a company's image or sales objectives.

"I don't see how a fuzzy lapel pin contributes to the decision to buy, which in my judgment is what giveaways should do," says William Mee, president of the Trade Show Bureau, a research and promotional organization based in East Orleans, Mass.

Adds Rodger Laforte, chairman of the International Exhibitors Association: "Many companies pick something out of an incentive catalogue, stamp their name on it and give it to anyone who inquires at the booth. You have to wonder what they're getting in return."

Whatever they're getting, exhibitors are spending a lot. According to the Trade Show Bureau, companies spend more than $1.5 billion annually to participate in trade shows. Typically, 2 percent of every exhibit dollar is spent on speciality advertising, which translates into about $30 million annually.

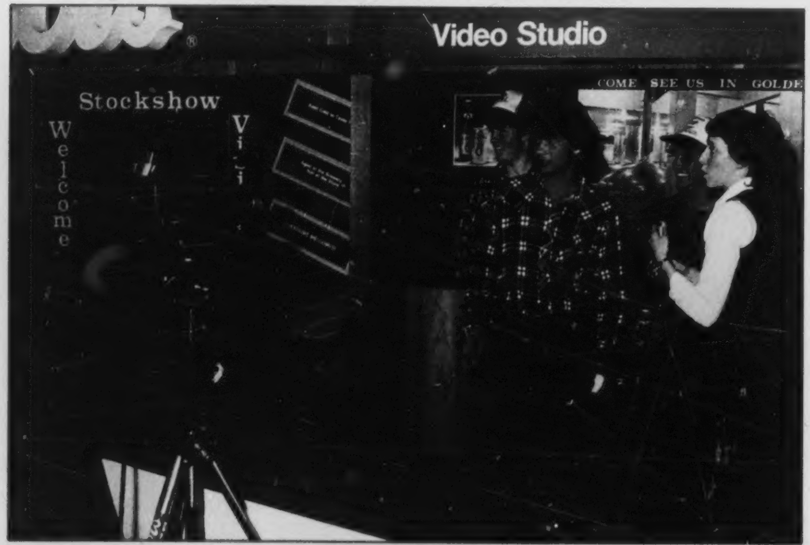
At some companies, these giveaways, which include prizes won through drawings, account for a much bigger percentage of the exhibit budget. At the Adolph Coors Company, for instance, 20 percent is earmarked for giveaways. And the Ex-Cell-O Corporation, a machine tool manufacturer, spent $15,000 to $21,000, or a quarter of its show budget, for a single cruise promotion at a recent trade show.

Why do exhibitors use giveaways? Are they throwing away promotion dollars that could be better spent elsewhere?

Most companies use trade show giveaways for one or more of these purposes: to boost booth traffic, to build mailing lists or to enhance the recognition or image of a company during the show and afterwards.

Coors, for instance, lures customers to its exhibit by letting them make a mock video commercial at the booth. Afterwards, participants get T-shirts. To build its mailing list, Hasbro Inc. holds daily drawings at its booth for one or more of its toys. Contestants must fill out a

Make-your-own-video and T-shirts lure traffic to Coors's booth.



lead form. The Westinghouse Electric Corporation has sought to enhance company recognition with Swiss chocolates, metric rulers, desk-top message holders and a drawing for a free engineering survey.

Some companies measure the success of a giveaway simply by how popular the item is, others by the mailing list it helps create or the booth traffic that results. Gauging the image-enhancing effectiveness of a giveaway is hard. "It's like planting a seed," says Westinghouse communications specialist Michele Bertini. "You may reap the fruit one month or one year after you give away an item at a trade show. It depends on where the person is in the buying cycle." At the very least, says Bertini, a giveaway should create an opportunity for interaction with show visitors.

Yardsticks like these may be poor measures of success, say some trade show marketers. Large crowds at exhibit booths can discourage serious prospects, while a mailing list is only as valuable as the potential customers it yields. According to Red Bank, N.J.-based Exhibit Surveys Inc., giveaways do help show visitors recall companies and products after the show. But the value of the recognition is hard to gauge.

Giveaways can be effective when "they go to the right people and have a good support structure behind them," says Allen Konopacki, president of Incomm International Inc., a trade show consulting company in Chicago. Konopacki, who is also an industrial psychologist, recommends that giveaways be presented at the close of a conversation with an interested booth visitor—as a reward.

"The Japanese really know how to use a giveaway," says Konopacki, who once received an attractively wrapped box from a Japanese business associate after a conversation with him. Inside was a $10 calculator. "But his presentation was so good, it felt like the Nobel Peace Prize," he says.

Merck Sharp & Dohme, a division of Merck & Company, knows the value of a giveaway-as-reward, too. Booth salespeople present physicians with a gift—recently a clip-on chart light—after the close of a product discussion. Only a sample of the giveaway is displayed, and the success of the item is measured by how many product discussions it helped stimulate.

Some exhibitors target giveaway recipients with a pre-show promotional mailing that invites prospects to come by the booth to pick up the gift.

CONTINUED ON PAGE 66

RATING GIMMICKS

The least an attention-getting technique should do is create awareness of a company and its products, according to Exhibits Surveys Inc., Red Bank, N.J. The research company surveyed visitors at dozens of trade shows to see how many could recall a company or product when reminded of the attention-getting technique used in the booth. Giveaways, or advertising specialties, were found to be the most effective at stimulating company and product recognition.

TECHNIQUE	IDENTIFIED COMPANY	IDENTIFIED PRODUCT
Ad specialty (giveaway)	19%	13%
Live music/ comedy skit	17%	11%
Puppet show/ cartoon character	14%	11%
Contest/drawing	13%	9%
Robot	13%	7%
Caricature artist	11%	7%
Theme	10%	7%
Talking head	10%	6%
Magician/card expert	7%	5%
Professional athlete	7%	4%
Audiovisual presentation	5%	3%
Other techniques	17%	12%

What Makes a Good Specialty?

Are T-shirts better giveaways than chocolates or key chains? Exhibit Surveys offers these simple guidelines for trade show specialties: They should be functional, be related to the company's product—if not a sample of it—and bear the company name and phone number.

Allen Konopacki of Incomm International adds that the specialty should tie into the company's exhibit theme or overall marketing message. For example, to celebrate its 75th anniversary, one mining equipment manufacturer set up an exhibit booth with a diamond-mine theme. The giveaway was a $2 diamond-tip engraving tool, which could be used for putting identification numbers on personal possessions.

Some specialties are more appropriate for some types of shows. Rulers and other measuring devices are big at craft and construction shows, while desk-top items are popular with professional groups, for instance.

Often people will wait in long lines for the strangest freebies. "I've seen doctors line up for stuffed teddy bears and engineers squabble over plastic hats," says Fred Kitzing, head of Kitzing Inc., an exhibit service firm. The challenge for marketers is to turn the lure of a freebie into a useful reward for the right person. ■

PUBLIC SECTOR

CONTINUED FROM PAGE 41

force and management.

In January 1988, the McClellan Air Logistics Center in Sacramento, Calif., will revamp the pay system for 2,000 of its employees in an Air Force program called Pacer Share. The typical graded-job system will be replaced with pay for performance. "This should give management the ability to move people around to facilitate productivity," said Ritchey.

Gain sharing will be the second prong of the motivational program. "Aside from giving managers more flexibility, the goal is to distribute products quicker," said Ritchey. Any savings incurred by the employees—from engineers to assembly line people—will be shared, said Dick Power, director of the Defense Productivity Program Office. "It's a group effort."

The Navy is often pitted against the private sector for ship repair jobs. To make competitive bids for projects, the Charleston Naval Ship Yard began a gain-sharing program. If employees performed a task at a lower cost than the bid, then the difference in the two prices is shared between workers and the Navy.

The Defense Department's Productivity Excellence Awards Program tries to capture the creativity and resourcefulness of its employees. Two tiers of recognition awards are given to employees who suggest an idea that results in first-year savings.

For ideas that total savings of more than $1 million, recipients go to a formal awards ceremony and receive their certificate from Secretary of Defense Casper Weinberger.

For ideas that yield $100,000 to $1 million in savings, the suggester receives a letter of commendation from the Secretary of Defense.

In 1986, 60 Defense Department employees made 29 suggestions that saved $200 million.

Suggestions included a change in the clothing issuance for new Army recruits, an improvement in the repair procedure of an Air Force aircraft antenna, and a switch from hand-applied to machine-applied embroidery on ceremonial flags for the Air Force and Army. ■

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SHOW GIVEAWAY

CONTINUED FROM PAGE 51

A successful variation is to send one part of a two-part giveaway, inviting the prospect to come by the booth for the rest. For example, CIPA, a French manufacturer of automotive mirrors, sent 100 top prospects a pre-show mailing containing a leather appointment book and an invitation to come by the company's booth for a matching leather desk calendar. All but six of them did, and 63 of them now sell CIPA products, according to a study published by the Trade Show Bureau.

These two-part giveaways tend to cost more, but they generally are offered to fewer people. Besides, says Mee of the Trade Show Bureau, getting an order takes an average of 5.5 sales calls that cost about $200 each, according to a McGraw-Hill study. "Spending $50 to get a top prospect into the exhibit booth can make a lot of sense," Mee says. ■

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